NOVEMBER 15, 1990
A CAHNERS PUBLICATION

Industrial Distribution

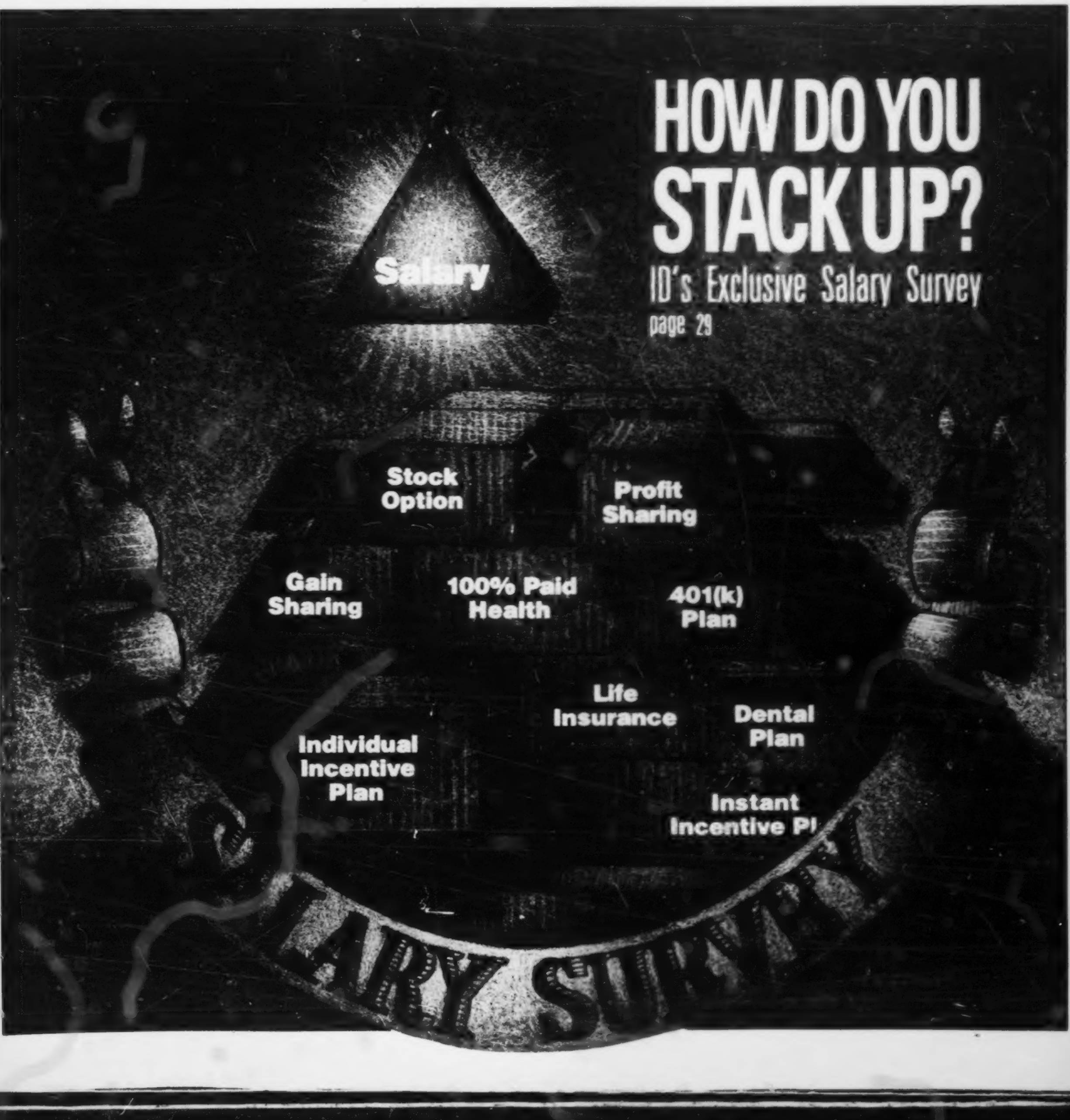
THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL:

Rack and Shelving Outlook

HOW DO YOU STACK UP?

ID's Exclusive Salary Survey
page 29


Salary
Stock Option
Profit Sharing
Gain Sharing
100% Paid Health
401(k) Plan
Life Insurance
Dental Plan
Individual Incentive Plan
Instant Incentive Pl
SALARY SURVEY

Industrial Distribution
THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

VOL. 79, NO. 12 NOVEMBER 15, 1990 A CAHNERS PUBLICATION

ID's annual salary survey shows you where you stand when it comes to compensation.

Cover illustration by Greg Couch

INDUSTRIAL DISTRIBUTION SURVEY

29 What are you worth?
ID's third annual salary survey details the highs and lows of pay in distribution. An exclusive report.

MARKET OVERVIEW

41 Rack and shelving outlook upbeat, but . . .
Strong growth is forecast for racks and shelving in '91 but industry experts are worried about the impact of the Gulf Crisis and a possible recession.

SPECIAL REPORT

45 Europe: The land of opportunity?
Representatives from major distributor associations journey to Belgium to look at European distribution.

PARTNERING PROFILE

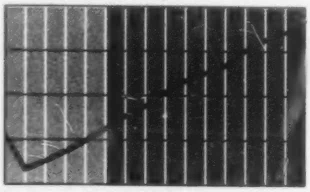
51 Getting by with a little help . . .
A 30-year friendship binds business relations between RHM Fluid Power and Racine Fluid Power.

MANAGEMENT

9 Inside Distribution
Be up front with customers.

55 Pacesetters
Edward C. Dalterio, Heli-Coil/ POP Fasteners.

97 Business Report



Economy should escape recession.

99 Supply Outlook
The fear of stagflation.

104 Clifton's View
A look at the stakeholder approach toward productivity.

SALES & MARKETING

57 Strictly for Sales
Order taking salesmen can't survive in today's market.

DISTRIBUTOR'S UPDATE

5 At Press Time
Motion's sales rising; ASMMA says EDI use climbing; IBT opens two branches; six-step sales plan.

11 News
Slow growth for valve market; Armstrong Bros. goes on line; Timken streamlines large bearing operation; Skil produces 10 millionth saw.

59 Association News
"Change" being replaced by a new buzzword: opportunity.

60 Calendar

101 Advertisers' Index

PROFITABLE IDEAS

63 Computers
New products from office automation vendors.

65 Profit Makers

82 Distribution Mart

85 Sales Aids

101 Business Staff

102 Classified Marketplace

Industrial Distribution®, (ISSN 0019-8153) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co., A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Senior Vice President/General Manager, Boston Division; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. POSTMASTER: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.

INDUSTRIAL DISTRIBUTION® copyright 1990 by Reed Publishing USA.

Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $60 per year; $80 Canada/Mexico; $85 per year for surface mail; $175 per year for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800.

REPRINTS: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 535-8800

Slow growth ahead for valve market

Leading valve group predicts less than 1% growth for 1991; points to oil and petroleum industries as bright spots.

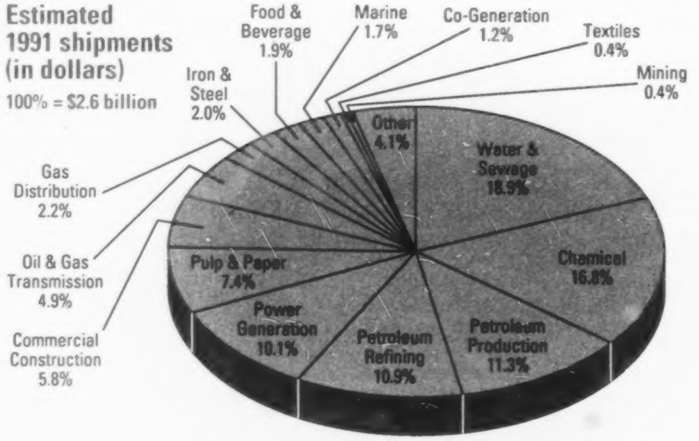
WHO'S BUYING VALVES?

By end user market (1990 vs. 1991)

	1990%	1991%	% Difference
Petroleum Production	10.9	11.3	+0.4
Petroluem Refining	10.6	10.9	+0.3
Chemical	16.5	16.8	+0.3
Co-Generation	0.9	1.2	+0.3
Oil & Gas Transmission	4.7	4.9	+0.2
Pulp & Paper	7.2	7.4	+0.2
Textiles	0.4	0.4	
Mining	0.4	0.4	
Gas Distribution	2.2	2.2	
Marine	1.7	1.7	
Water & Sewage	18.9	18.9	
Iron & Steel	2.1	2.0	-0.1
Food & Beverage	2.0	1.9	-0.1
Commercial Construction	6.2	5.8	-0.4
Power Generation	10.5	10.1	-0.4
All Other	4.8	4.1	-0.7

Estimated 1991 shipments (in dollars)

100% = $2.6 billion



Source: Valve Manufacturers Assn. of America.

Continued fears of a national recession are real as the Valve Manufacturers Assn. of America (VMA) predicts shipments of industrial valves to increase by less than 1% next year.

This is clearly bad news for the industry, says VMA's, Bill Sandler, particularly when the figure is adjusted for a 5% inflation rate. "Unfortunately, this means a decline in real terms," he notes.

Translated into dollars, VMA forecasts valve shipments to reach $2.635 billion in 1991, as opposed to $2.627 billion in 1990 and $2.596 billion in 1989.

Despite the slow growth, Sandler expects the petroleum producing and refining industries to pick up larger market shares next year (see charts). This is due largely to the upswing in drilling activity following Iraq's Aug. 2 invasion of Kuwait.

In addition, Sandler says the processing industries, including chemicals, pulp and paper will also increase their shares in 1991, but at a slower rate than during the past two years. He also expects the power generation and commercial construction industries to fall in market share next year.

DISTRIBUTORS AGREE

Frank Finkel, president of Davis & Warshow in New York City, agrees with VMA's assessment of the year ahead. "I think as things stand now, we're looking at a year of flat growth in 1991," he says. "But if the situation in the Middle East is somehow settled in the next few months, we'll go back to a situation of more moderate growth."

And Ron Yeakle, president of Pensacola-based Piping & Equipment, Inc., also expects a flat year in 1991. "While it's been slow, we've been getting a lot of work from engineering companies who are busy with de-bottlenecking work for the chemical processing plants and oil refineries," he says. "As far as servicing the oil drilling industry, we don't do much of that."

But Ken Wilson, a salesperson for

Vinson Supply's Oil Country Group in Tulsa, Okla., says that while sales of tubing and casing to the oil industry have picked up, drilling activity is still far below pre-1982 levels.

"In the early 1980s, there were 4,500 rigs in the U.S.—now we're down to about 1,000," he says. "After what happened here in the mid-80s, investors are being more careful and the banks have clamped down on credit. I don't expect a boom, but I do see a steady climb back up."

A MANUFACTURER'S VIEW

Daniel De Santis, president and CEO of Neles-Jamesbury, a manufacturer based in Worcester, Mass., agrees with Vinson's Wilson.

"The so called boom in the oil patch isn't going to happen as quickly as people were led to believe," he says. "Not only is drilling way down compared to pre-recession levels, but skilled workers have relocated to other areas of the country."

On the whole, De Santis predicts a flat year for most of industry, with a slightly larger increase if the Middle East crisis is settled. "If a settlement is reached in the Gulf, oil prices will come down, which should lead to an increase in capital expenditures," he says. "But at this point, it's really difficult to predict what will happen."

For more detailed information on the valve market, contact the VMA at (202) 331-8105. ☐

Users to stress vendor quality

BOSTON—A recent Boston University (BU) study reports that improving vendor quality is one of the top five objectives cited by manufacturing end-users.

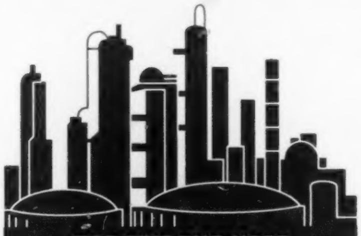
BU's Manufacturing Roundtable, a research center which promotes manufacturing management knowledge, released the 1990 Manufacturing Futures Survey in September.

According to Jay S. Kim, assistant professor of operations at BU's School of Management, improving vendor quality ranked second on the list, following improving conformance quality.

"While in years past, manufacturing's focus may have been on quality or price, it's interesting to note that distributor performance now stands at number two," says Kim.

George Sachs, president of newly formed Tri-Star Industrial Supply, Inc. of St. Louis, Mo., agrees with Kim. "It's heartening to see that reducing price isn't number one on the manufacturers' list," Sachs says. "Quality performance should be at the top. After all, distributors provide a value added service—and that's all."

The roundtable confirms what distributors have been saying all along, says Robert Kraisner of the Strong Tool Company in Cleveland. Notes Kraisner, "While before, manufacturers looked at the distributor as nothing more than a supplier, now they want us to be a partner. So to keep them, we need to do more than just supply—we have to control quality, responsiveness, exposure to safety and hazards and more." ☐



TOP FIVE END USER OBJECTIVES FOR 1990:

1. Improve conformance quality.
2. Improve vendor quality.
3. Reduce unit costs.
4. Reduce overhead costs.
5. Reduce product development cycle.

Source: Boston University School of Management

Norton makes push into ceramics with new tech center

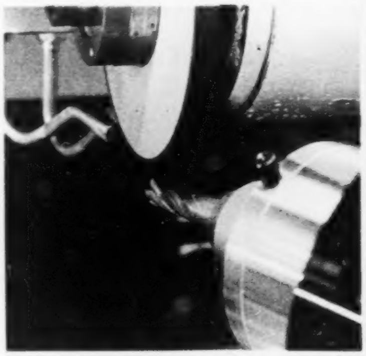
WORCESTER, MASS.—Distributors calling on customers interested in the durability of ceramic parts can now refer end users to Norton Co.'s Ceramic Machining Technology Center (CMTC).

Dr. K. Subramanian, Norton's director of R&D and ceramics market development, says CMTC is a state-of-the-art grinding facility with a dual purpose.

First, Norton wants to educate the industrial buying public that ceramic grinding technology exists. And second, as a service to industry, CMTC is set up to become an R&D lab for the end user. Subramanian says that the new center is capable of both testing a new product and building a prototype model up to a few thousand parts.

"Currently, ceramic grinding is heavily dependent on individual operators working with general purpose machines," says Subramanian. "Now that we've developed a way to form ceramic parts using modern grinding equipment and superabrasive wheels, industry can test a new product with us before investing millions of dollars to go into production."

The cost of CMTC's services will vary depending on the project, says Subramanian. For more information, call Norton at (508) 795-5709. ☐



Norton Co. has developed a way to efficiently grind ceramic parts.

Customer takes center stage at Central Convention

ATLANTA—Providing top notch customer service is the focus of the Industrial Distribution Assn.'s (I.D.A.) Central Convention in Chicago later this month.

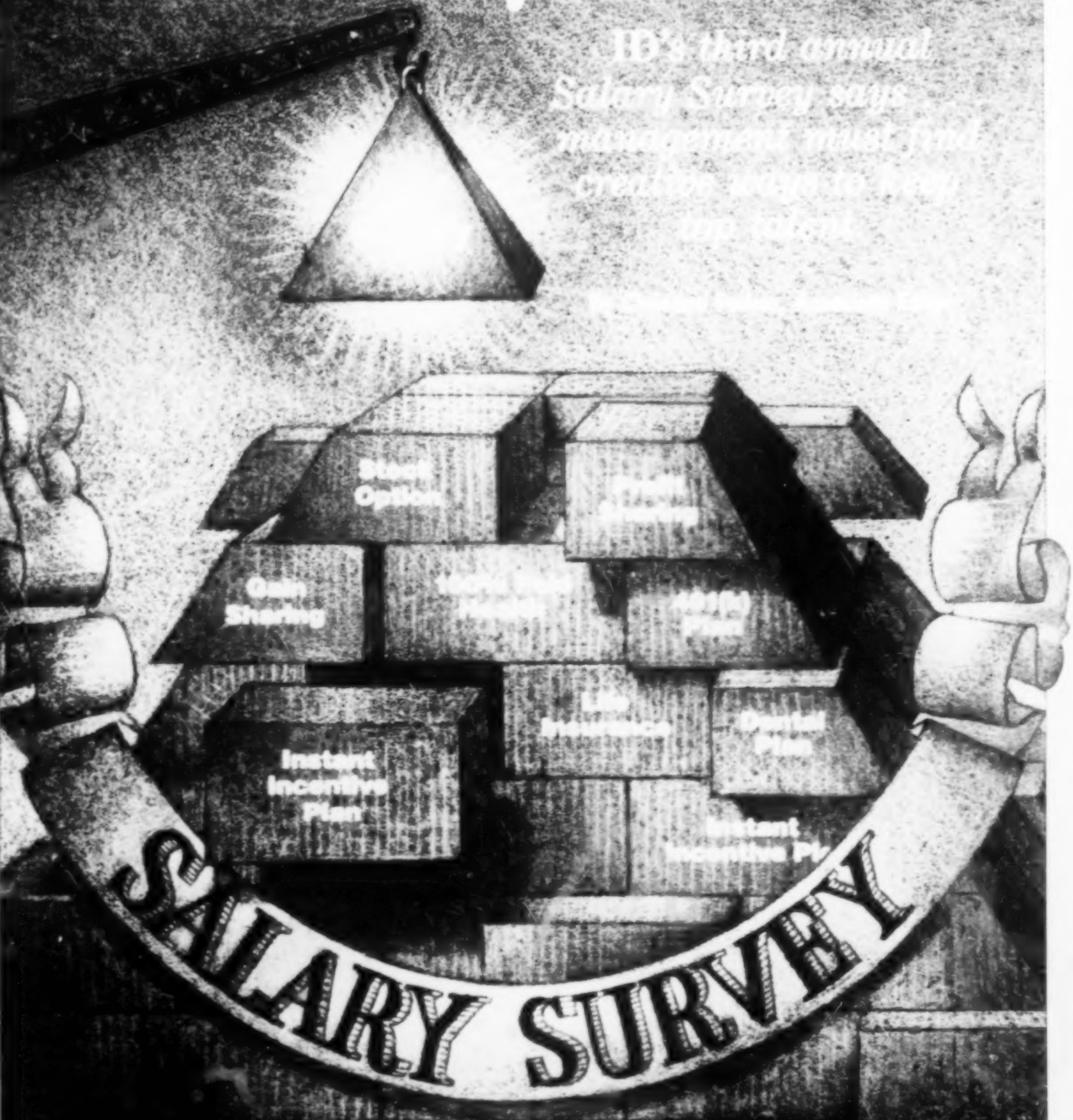
Known for its "all business" format, the Central meeting, scheduled for November 17-19 at the Hyatt Regency O'Hare, features nine hours of conference booth sessions over a two day period.

In keeping with the customer service theme, keynote speaker Mike Workman of Texas A&M will

What are you Worth?

ID's third annual Salary Survey says management must find creative ways to keep top talent.

[illegible]


Stock Option
Profit Sharing
Gain Sharing
401(k) Plan
Life Insurance
Dental Plan
Instant Incentive Plan
Instant Incentive Pl
SALARY SURVEY

Managers take note. If you pay your employees a straight salary—your compensation methods could be outdated. What's worse—you stand to lose your best talent.

Think we're overreacting? One Midwestern distributor we talked to says he's lost two valued employees recently because of salary inadequacies. "My employees left the company for more money at another distributorship," he says. "Had I known I was underpaying them, I would have upped their salaries in order to keep them. But, instead, I lost them to my competitor."

Dick Hall, president of Portland Rubber Co. in Portland, Maine, has no intentions of falling into the same trap. His compensation philosopy is "the more you give, the more you will receive." Translated to mean the higher the reward for efficient performance, the higher the productivity and profits, Hall has instituted a system of compensation which ties together salary with profit sharing and benefits.

According to Charles Peck, senior research associate for The Conference Board, a business management and economic research organization, Hall is at the leading edge of compensation. "In the past few years, there's been a surge of interest in variable pay—everything from profit sharing to stock options and incentive plans," he says. "It's a real hot topic in business right now."

Hall may be at the leading edge, but research shows that other distributors are slow to jump on the incentive bandwagon. While 47% have instituted profit sharing plan, only a small percentage have adopted other variable pay methods. That's one reason **ID** commissioned this survey for the third year in a row.

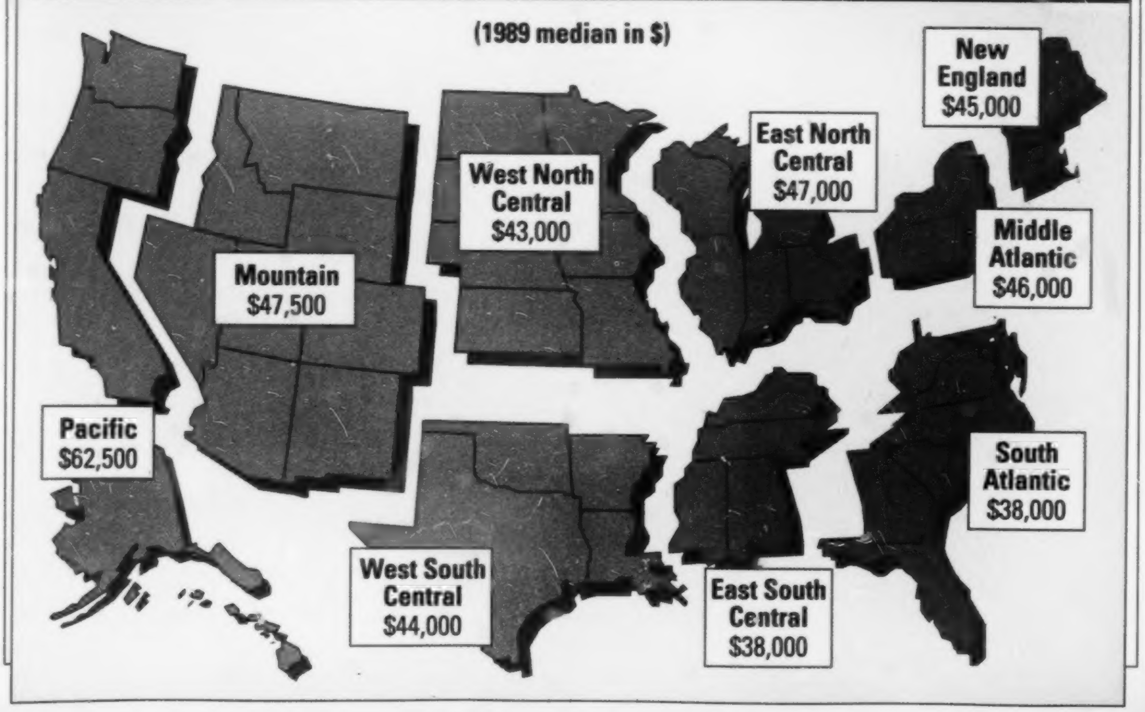
We polled those perspectives and tallied responses from more than 700 distributors—from owners and CEOs to the counter staff. And while it's important to note that inequalities appear due to inconsistencies in the types and numbers of respondents in each category, **ID's** Annual Salary Survey *will* show you where you stand.

Are you in the right region?

Measuring regional compensation is one of the most difficult tasks of this survey, and the reasons why are clear. First, the number of responses varies sharply from one region to the next—by nature offsetting the comparison's rate base. Further, it's impossible to glean a strong understanding of the median salaries on a regional basis because the distributor size and sales volume isn't identified. What the table does tell you, however, is that if you're on the West Coast and you want to move East—you can expect to earn a comparable salary. If you are moving to the mountain states, however, you should plan on cutting your income considerably. Keep in mind though, cost of living will impact your income no matter where you live.

WHICH REGION PAYS BEST?

(1989 median in $)


New England $45,000
East North Central $47,000
West North Central $43,000
Middle Atlantic $46,000
Mountain $47,500
Pacific $62,500
South Atlantic $38,000
West South Central $44,000
East South Central $38,000

REGIONAL COMPENSATION BY JOB TITLE

(1989 median in dollars)

Title	Owner	CEO	Treasurer	VP Sales	Purchasing Manager	Ass't Sales Manager	Outside Sales	Inside Sales	Counter Sales
New England	110,000	85,000	40,000	30,000	NA	30,000	NA	30,000	NA
Middle Atlantic	87,500	112,500	35,000	55,000	38,000	40,000	40,000	22,000	NA
East North Central	100,000	80,000	52,800	55,000	26,600	37,000	38,300	16,500	30,000
South Atlantic	108,000	50,000	40,000	60,000	NA	30,000	33,000	17,500	NA
East South Central	80,000	50,000	50,000	45,000	30,000	33,300	20,000	15,000	NA
West North Central	70,000	125,000	50,000	50,000	30,000	35,000	46,600	30,000	NA
West South Central	70,000	70,000	46,200	45,000	30,000	35,000	44,000	18,700	NA
Mountain	70,000	70,000	50,000	60,000	NA	40,000	30,000	15,000	NA
Pacific	70,000	93,000	66,600	66,600	30,000	35,000	50,000	NA	NA

NA = Data not available.

Higher sales = higher salary??

It would stand to reason that if a company is making more money, they can afford to pay their employees more generous salaries. Once again, our survey reflects that reasoning. With little variation, salaries increase in tandem with company sales. However, as you'll notice, this trend is far more evident in the highest ranks of the corporation. So, if you happen to fall on the low end of the scale at a large company and you're salary doesn't reflect high sales volume, you might wonder whether you're being paid the same to do twice as much work!

COMPENSATION BY DISTRIBUTOR SALES SIZE

(dollar volume in millions)

Sales Size	< $1M	$1M-3M	$3-6M	$6-10	$10-20M	$20M+
Total	$44,249	$51,538	$58,491	$70,538	$58,447	$74,865
Owner	54,604	64,473	96,817	111,666	130,750	204,250
CEO/Pres.	54,604	64,473	52,499	83,499	73,332	114,374
Treasurer	28,749	41,428	54,999	57,045	59,614	63,749
VP Sales	31,874	54,999	41,666	55,832	62,856	56,249
Purchasing Manager	NA	31,666	34,999	22,999	23,888	21,666
Asst Sales Mgr	NA	NA	19,999	28,333	28,333	37,499
Outside Sales	35,000	22,143	41,250	47,000	34,230	52,187
Inside Sales	NA	16,000	23,999	28,333	23,666	24,090
Counter Sales	NA	NA	NA	NA	15,000	15,000

Climbing the financial ladder

It's just as you might imagine. The top people pay themselves for jobs well done, and the increases decrease down the ranks. The exception to the rule? Outside sales. Receiving the second highest annual percentage increase this year (12%), outside sales offsets the 8.89% average considerably. As well it should. The outside sales force is characteristically responsible for the vast majority of a company's revenues and is paid for its role accordingly.

SALARY INCREASE BY JOB TITLE

(% range of last increase)

Range	Avg % increase	1-5%	6-10%	11-15%	16%+
% receiving increase	8.89	44	35	9	12
Owner	12.00	27	41	9	23
CEO/Pres.	9.00	43	34	9	14
Treasurer	9.17	38	44	7	12
VP Sales	8.65	35	48	9	9
Purchasing Manager	6.31	63	25	6	6
Asst Sales Manager	6.73	52	33	9	7
Outside Sales	11.76	46	24	12	19
Inside Sales	7.47	50	30	13	8
Counter Sales	4.25	75	25	–0–	–0–

Specialty house = special treatment

This year, unlike last, specialty house respondents report receiving higher salaries than those of either combination houses or general line distributorships. Specialty houses, qualified as distributorships which stock more than 50% of one product category, beat the incumbent—combination houses. And it's interesting to note that, aside from the owner and outside sales categories, general line personnel received about $10,000 less than specialty house employees across the board.

COMPENSATION BY BUSINESS TYPE

(average salary in dollars)

Business type	Combination House	Specialist	General line
Owner	$106,000	$112,000	$129,000
CEO/Pres.	139,000	110,000	94,000
Treasurer	53,000	58,000	52,000
VP Sales	62,000	72,000	53,000
Purchasing Manager	32,000	37,000	27,000
Asst Sales Mgr	40,000	41,000	29,000
Outside Sales	28,000	45,000	43,000
Inside Sales	35,000	33,000	22,000
Counter Sales	NA	NA	NA

Money matters

The U.S. economy is shaky at best these days—with isolated regions like the Northeast most strongly affected by the crunch. But, **ID**'s survey respondents are making a strong showing, despite the recession. Recording an average of $1.64 million in company-wide sales this year—employees and owners alike are sharing in the profits. The survey shows that unlike last year, distributorship owners are earning more than their notoriously well-compensated CEO's and presidents. Outside salespeople, commonly perceived as strong revenue generators are also making more than they made last year. And, counter salespeople are getting less of the profit pie than they have in previous years.

COMPENSATION BY JOB TITLE

(1988 average)

Average	**Owner**	**CEO/Pres**	**Treasurer**	**VP Sales**
$59,814	$115,262	$108,941	$54,345	$63,356
Purchasing Manager	**Ass't Sales Manager**	**Outside Salesperson**	**Inside Salesperson**	**Counter Sales**
$29,571	$35,655	$41,744	$28,145	$19,000

Getting the incentive you need?

One of the most significant findings of last year's survey was that sales employees—including inside sales people and counter sales professionals—failed to receive incentive compensation for their sales work, other than their standard salaries. One of the most surprising results of this year's survey is that this percentage has decreased considerably. While 48% of inside salespeople and 60% of counter salespeople received no incentive compensation whatsoever last year, both groups reported a change for the better this year. Last year's figures have dropped to 40% for each, and respondents now report receiving compensation as a result of company or branch profitability and sales volume experience, as well as individual profitability.

TYPE OF COMPENSATION BY JOB TITLE

(% receiving incentive compensation*)

Job Function	VP Sales	Ass't Sales Manager	Outside Sales	Inside Sales	Counter Sales
Company or branch profitability	38	38	9	26	40
No incentive compensation	25	27	12	40	40
Company or branch sales volume performance	27	20	4	16	20
Individual sales volume performance	10	13	33	13	–0–
Individual profitability	6	3	43	11	20

*Totals do not equal 100% due to multiple responses.

Experience is everything

Read the Want Ads for a position in any industry, and you'll undoubtedly see the words 'Experience necessary' followed quickly by, 'salary commensurate with experience.' Our experience table reflects those sentiments exactly. Not only do we completely lack respondents in the CEO/Pres. category with less than seven years experience, but every rank boasts an increased salary as the years progress. It's an encouraging finding when you consider how many industries often pay according to disparaging factors. It would seem it pays to know what you're doing in industrial distribution. And some would argue, that's the way it should be.

Now the question is, where does academic background come in? It appears that experience is even more important than higher education in the distribution field. According to our survey, less than 50% of those polled reported having a bachelors degree, and only 7% hold a masters.

COMPENSATION BY EXPERIENCE

(average salary by years of distribution experience)

Experience in yrs.	3 or less	4–7	8–15	16–20	21–25	26–30	31–35	36 +
Owner	$60,000	$56,000	$70,000	$124,000	156,00	$126,000	$127,000	136,000
CEO/Pres.	–0–	–0–	90,000	133,000	142,000	70,000	109,000	89,000
Treasurer	38,000	45,000	44,000	56,000	63,000	84,000	93,000	NA
VP Sales	42,000	39,000	52,000	79,000	86,000	65,000	61,000	NA
Purchasing Manager	15,000	23,000	30,000	45,000	28,000	33,000	25,000	55,000
Asst Sales Mgr	22,000	32,000	32,000	41,000	47,000	55,000	35,000	45,000
Outside Sales	23,000	39,000	44,000	46,000	39,000	53,000	50,000	54,000
Inside Sales	15,000	18,000	29,000	22,000	27,000	28,000	–0–	–0–
Counter Sales	15,000	NA	15,000	35,000	NA	NA	NA	

N.A. – Data not available.

It gets better with age...or does it?

One of the components of this survey that may serve to satisfy your personal curiosity is the age breakdown of industrial distribution's star players. You know how old you are and how far you've come—but how do you measure up in comparison to your contemporaries?

As might be expected, our findings record 42 as the average age of distribution personnel. Owners and CEO's are characteristically in their 50's and the ages decrease almost evenly according to position after that. The 60-65 age category lacks strong representation, which is somewhat surprising considering the network of long established distributors. But, we could speculate, maybe those distribution Veterans are getting smart—heading for the golf course instead of the office.

In any case, a more profound finding of this part of our survey was the lack of representatives from the younger generation. As the chart points out, distributors under the age of 30 are few and far between. Whether those young people are the offspring of that strongly grounded network of distributors, or a competely new breed of energetics remains to be seen.

HOW OLD ARE YOU COMPARED TO YOUR ASSOCIATES?

(% in each age group)

Age	Average	Owner	CEO/Pres.	Treasurer	VP Sales	Purchasing Manager	Ass't Sales Manager	Outside Sales	Inside Sales	Counter Sales
29 years or younger	10.6	2	–0–	4	7	10	20	16	24	20
30 to 39 years	31.6	13	9	37	37	46	39	35	36	60
40 to 49 years	29.4	26	28	43	35	23	28	26	30	–0–
50 to 59 years	18.6	35	43	9	17	13	12	15	8	–0–
60 to 65 years	7.8	17	20	6	3	7	2	5	2	20
66 years or older	2.0	6.4	–0–	1	1	–0–	–0–	3	–0–	–0–

Average Age: 42

Perking up profits

The Conference Board's Peck notes that variable compensation could be an excellent compensation tool in industrial distribution. He explains,"The efficiency with which employees move products through the warehouse is a concrete measurement of their productivity. And this productivity is clearly reflected in increased sales volume for the company. Therefore, gain sharing and profit sharing might be effective plans for distributors to adopt."

Hall is just one believer in this compensation philosophy. And, he uses a poignant example as illustration. "As soon as we implemented our profit sharing plan, our strapping costs went down from $3,000 to $240 per month because employees noticed that we were discarding re-usable strapping," he relates. "That savings resulted in increased profits and was reflected in our employee's very next paycheck. Now they are conscious of similar savings all around because they receive immediate reward for their efforts."

That's how Hall pays his workers. What does the rest of the industry do? While profit sharing ranked first, the pension plan ran a close second at an average of 44%, which is no surprise considering the average age of respondents was 43. 35% of the respondents reported participation in a 401(k) plan, a common finding in business today according to Peck. And, employee stock ownership edged out last year's fourth place finisher, the salary investment plan, with a low 16% participation level.

While additional benefits such as life, health and dental insurance come under a whole different category when considering compensation, they are just as important, if not more so, to most people. Ringing in at 81.4%, life insurance was the most commonly offered benefit by distribution houses for the second year in a row. Partially paid and 100% health coverage were also high on the list, both showing in the low 50% range.

Interestingly, a comprehensive dental plan ranked highest in the most wanted benefits category. 49% of respondents expressed an interest in this benefit, perhaps a reflection of the high cost of dental insurance when purchased on an individual basis. This year, both stock ownership and profit sharing were strongly desired benefits as well. Perhaps these responses represent the peaking interest Peck refers to in his research?

WHO GETS WHICH BENEFITS?

(% receiving benefits)

		Job function								
	Average	Owner	CEO/Pres	Treasurer	VP Sales	Purchasing Manager	Ass't Sales Manager	Outside Salesperson	Inside Salesperson	Counter Salesperson
Life Insurance	81.4	82%	91%	81%	82%	87%	78%	73%	79%	80%
Partially paid health	57	29	47	53	54	69	60	73	73	60
Profit sharing	47.2	42	53	46	48	44	57	45	53	60
Pension plan	44.2	45	53	41	34	43	50	42	45	60
100% paid health	40.7	68	53	46	25	35	24	25	20	
401(k)	35.4	19	32	40	36	38	50	41	33	40
Partially paid dental	31.9	18	23	38	24	38	33	38	40	40
100% paid dental	13.2	22	25	15	9	7	17	6	-0-	
Salary investment plan	11.9	6	4	13	16	12	13	17	16	-0-

. . . AND WHO WANTS WHAT

(% wanting benefits)

		Job function								
	Average	Owner	CEO/Pres	Treasurer	VP Sales	Purchasing Manager	Ass't Sales Manager	Outside Salesperson	Inside Salesperson	Counter Salesperson
100% paid dental	49.5	35	50	41	49	59	49	55	50	
100% paid health	42.5	16	29	31	37	57	51	51	55	75
Pension plan	38.3	43	33	37	41	43	41	33	36	50
Employee stock ownership plan	36.6	13	33	45	49	35	47	33	50	
Profit sharing	29.9	21	21	24	34	35	24	35	36	25
401(k)	27.2	33	25	23	24	25	22	30	31	50
Salary investment plan	24.2	21	8	23	29	21	25	50		
Partially paid dental	18.7	14	4	16	17	19	26	16	26	25
Day care assistance	13.9	6	–0–	11	9	25	29	12	15	25

Satisfaction guaranteed?

As might be expected, individual job satisfaction varies according to position—the higher the position, the more money you make. And it stands to reason too that the more money you make, the more satisfied you are with your job.

Our survey proves that theory without a doubt. Owners and CEO's were in the high 80th and 90th job satisfaction percentiles, while the lower ranks came in almost evenly behind them. One noticeable discrepancy, however, was the purchasing manager. Claiming an income of about $30,000, he ranks between the assistant salesperson and the inside salesperson in earnings. And his job satisfaction is low. In fact, 71% of those purchasing managers polled expressed dissatisfaction with their salaries.

ARE YOU SATISFIED WITH COMPENSATION?

(% of respondents)

Job Function	Owner	CEO/Pres.	Treasurer	VP Sales	Purchasing Manager	Ass't Sales Manager	Outside Sales-person	Inside Sales-person	Counter Sales
Yes	89	85	59	59	16	44	63	36	25
No	6	12	33	31	71	49	34	55	50
Don't Know	5	4	7	10	13	7	3	9	25

The simple answer to elevating job satisfaction among your employees might be to raise salaries. But, that's easier said than done. After all, if you pay one employee more for assuming the same responsibilities, you are obligated to pay the rest of your staff accordingly in order to be fair. And you don't need **ID** to tell you that this can become expensive. What's your other alternative? One way to improve job satisfaction levels is to consider additional elements that may contribute to the satisfaction process. Everything from level of creativity and independence afforded to the amount of decision-making power given to employees might prompt them to draw satisfaction from their individual positions—regardless of how they are compensated. ☐

Engrave Signs When You Need Them!

To Identify

To Inform

It's Easy

ADMINISTRATION ↑
INDUSTRIAL ARTS →
NURSE ←
GYMNASIUM ↑
MUSIC ANNEX
Mr. Williamson
Principal
ROOM 313
Mr. Perkins
STEAM
DANGER
SOLVENTS IN USE
SECURITY
BREAKER PANEL 17
CAUTION
HARD HAT AREA
LORAN
OIL TEMPERATURE
327

Made In USA

Engrave These Signs & Name Tags Yourself...

- Immediate in-house response to sign requirements.
- Professional results with no special training.
- Up to 50% lower sign costs
- Complete line of supplies.
- Prompt delivery.

Scott

Scott Machine Development Corporation
Route 206, P.O. Box 88, Dept.
Walton, New York 13856-0088
Tel: 607-865-6511 Fax: 607-865-7269 Telex: 646827

► CIRCLE NO. 24

BUSINESS REPORT

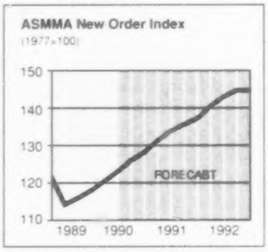
BY PAUL WATERS

Recession concerns high

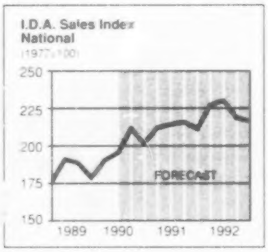
Economy, however, should escape.

Recent events such as the Middle East crisis have caused more forecasters to think a recession is imminent. But even before the Iraqui invasion, the economy was weak. Consumer confidence levels were slipping and business spending was down. Housing starts, an accurate leading indicator of general economic health, were trending downward.

Consumer confidence, in particular, has suffered lately. Responding to all of the recent dim news, the consumer confidence index dropped sharply in August (the month of the Iraqui invasion) to 83.8 (1985 = 100). This was its lowest level since early 1983. Consumer spending also has been sluggish.


ASMMA New Order Index

Data source: ASMMA
Forecast source: Cahners Economics

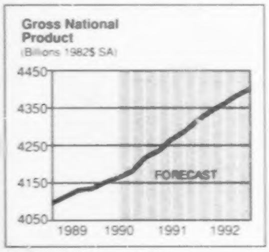

I.D.A. Sales Index National

Data source: I.D.A.
Forecast source: Cahners Economics

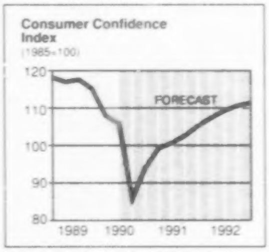
From January to July, retail sales increased 4.1% above the same period a year ago. Adjusted for inflation, however, growth inched up only 0.5%. This is further evidence that manufacturing will be the driving force of the next recovery, not the consumer sector. Nonetheless, once the upturn begins early next year, consumer spending will revive. Retail sales will climb 4.8% this year and 6.1% in 1991 before inflation. After adjusting for price increases, though, look for only a 0.5% rise this year and a 0.8% climb in 1991.

Interest rate movements will play a key role in the next recovery and they remain difficult to anticipate. The slowdown has reduced the demand for consumer and business borrowing, putting downward pressure on interest rates. Concern over international oil availability, on the other hand, has boosted oil prices, adding to inflation and putting upward pressure on interest rates. So far, short and long term rates have reacted differently to the two forces. Short rates have hardly moved at all since the Iraqui invasion, while long term rates have increased over one half percent.

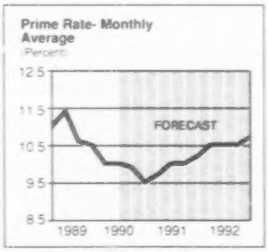
In short, the fundamentals do not support a severely recessionary outlook. The past year of slow growth has seen consumers and businesses adjust by reducing debt and inventory levels. Also, inflation and interest rates have come down, laying the groundwork for the next upturn. Look for GNP to expand a mere 1.4% this year, but to grow 2.3% in 1991. ☐


Gross National Product

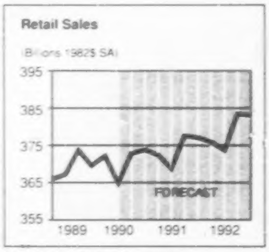
Data source: Commerce Dept.
Forecast source: Cahners Economics


Consumer Confidence Index

Data source: The Conference Board
Forecast source: Cahners Economics


Prime Rate- Monthly Average

Data source: Federal Reserve Board
Forecast source: Cahners Economics


Retail Sales

Data source: Dept. of Commerce
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Aug. 1990	July 1990	Aug. '90 vs Aug. '89 % change	Aug. 1990 days	Aug. 1990 % change
TOTAL	229.1	212.8	7.7	39.7	-1.5
EAST	189.4	178	5.8	44.8	-1.1
SOUTH	358.6	331	8.3	37.4	-3.3
CENTRAL	182.3	165.8	10.0	41.1	-1.1
WEST	233.6	214	12.0	31.2	-1.1

SOURCE: Industrial Distribution Assn.

SUPPLY OUTLOOK

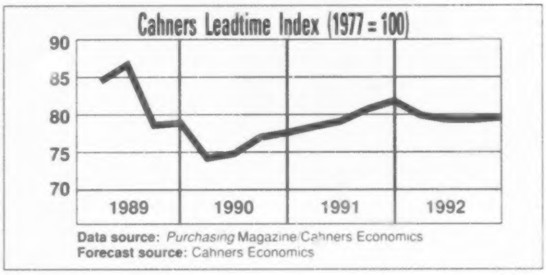
BY PAUL WATERS

Stagflation will be avoided

GNP growth will be moderate but inflation tame.

Inflation continues to be one of the leading news topics because of the Middle East crisis. One fear that looms large is that the economy is slipping back into the stagflation that occurred during the oil price shocks of the 1970s. With economic growth expected to finish at only 1.4% this year and inflation boosted by skyrocketing oil prices, it takes little imagination to picture stagflation.

Cahners Leadtime Index (1977 = 100)



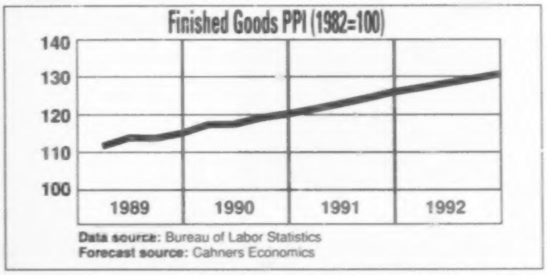
Data source: *Purchasing* Magazine/Cahners Economics
Forecast source: Cahners Economics

As is usually the case, however, a closer look at the numbers reveals a different picture. While inflation will be more severe during the next couple of months, the economy is resilient enough to maintain growth. First let's look at the inflation situation. Inflation on intermediate materials and components will finish 1990 up 1.5% This is clearly not a worrisome figure. For 1991, however, inflation will accelerate by 4.6% as manufacturing rebounds. This is simply because materials and components will be in higher demand and capacity will come under modest pressure. For finished goods, expect producer prices to jump 4.4% this year because of the energy price surge. Next year, finished goods inflation will stay near 4.3% as the economy warms.

For the OEM sector, the story is similar. Inflation on fabricated metal products will finish 1990 up only 1.8%. Next year though, look for fabricated metal prices to balloon 4.7% as demand outpaces supply. For similar reasons, the index for industrial machinery will rise 3.2% this year, but jump 4.5% in 1991. Metal cutting machine tools will be up 5.3% and 6.0% in 1990 and 1991, respectively. Expect material handling equipment prices to swell 2.8% this year and 3.0% in 1991.

The bottom line is, while GNP forecasts have been revised downward, the U.S. will see positive growth this year and next. Although inflation rates have jumped, they are still expected to be slow.

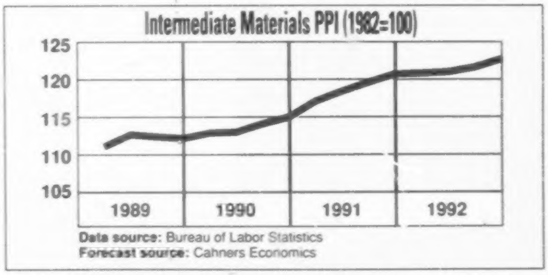
Finished Goods PPI (1982=100)



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

Producer prices on finished goods will rise a manageable 4.4%. in 1990. Expect a non-alarming 4.3% jump in 1991.

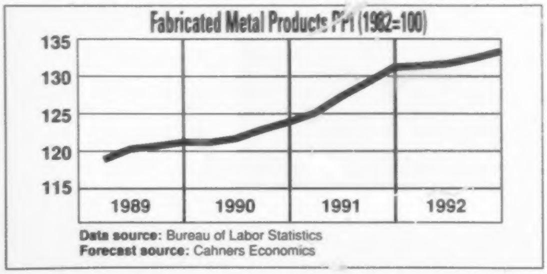
Intermediate Materials PPI (1982=100)



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

Intermediate goods producer prices will only climb 1.5% this year. As the economy warms, expect a 4.6% jump in 1991.

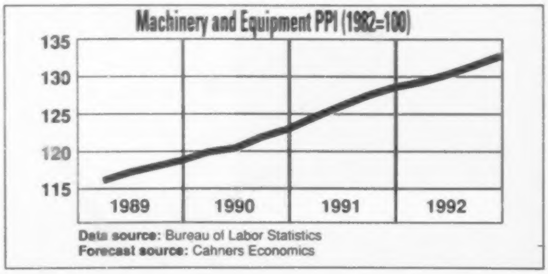
Fabricated Metal Products PPI (1982=100)



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

Prices on fabricated metal products will be tame this year, rising only 1.8%. Inflation will pick up in 1991-92.

Machinery and Equipment PPI (1982=100)



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

Prices on industrial machinery will rise 3.2% this year due to steady investment levels. Look for a 4.5% jump in 1991.

Look for a special gift from Industrial Distribution in December!

In addition to your regular December issue of *Industrial Distribution*, you'll also be receiving a 1991 wall calendar for your office, compliments of *Industrial Distribution*.

The *Industrial Distribution* calendar is a convenient planning tool because it lists distributor association conventions and meetings for the entire year in one place.

Your suppliers want to make sure you remember them next year!

1991

Twelve of *Industrial Distribution*'s best advertisers (and your best suppliers) are sponsoring this project, so you'll be reminded of a different manufacturer every month.

The calendar will arrive on your desk with the December issue. It's one more service *Industrial Distribution* offers its readers. Thank you for your support during 1990, and best of luck in the coming year!

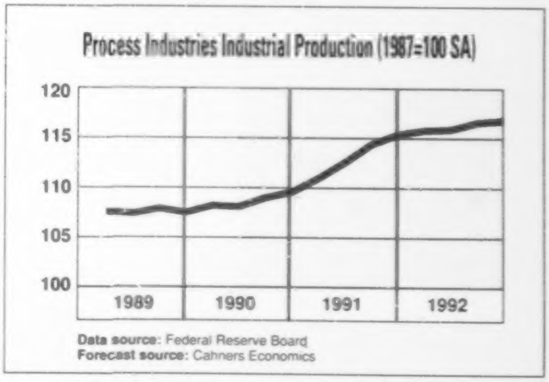
Industrial Distribution

275 Washington St. • Newton, MA 02158 • 617/964-3030

SUPPLY OUTLOOK

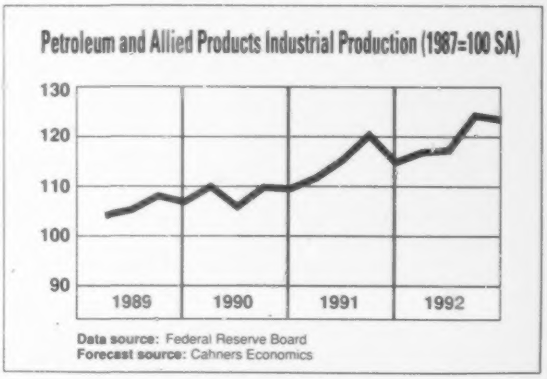
Growth in process industries

Both the process industries and the OEM sector will experience growth in the next two years. The process industries will be the first to rebound, followed by OEM in 1991-92. Expect process industry output to rise 1.1% this year, 4.3% in 1991, and 2.6% in 1992. Paper output will jump 2.3% in 1990 and 4.1% in 1991. Expect chemicals to inch up 1.3% and 3.5% in 1990 and 1991 respectively. Not surprisingly, petroleum will see solid output gains over the next few years. Expect a 2.5% jump this year, followed by a 6.2% surge in 1991. Plastic processing has already begun to rebound and will manage a 2.7% gain this year. Next year will bring a 5.7% jump as plastic continues to displace traditional materials. Clay, stone, and glass have been hurt by the construction slump and will slide 1.3% in 1990. As construction rebounds in 1991, though, the industry will gain 3.7%. Hurt by the OEM slowdown, primary metals will be flat this year. However, expect OEM resurgence to pull primary metals up 4.6% in 1991. ☐



Data source: Federal Reserve Board
Forecast source: Cahners Economics

Process industries output will grow slowly this year, but are about to turn around. Expect output to grow 1.1% this year and 4.3% in 1991.



Data source: Federal Reserve Board
Forecast source: Cahners Economics

The petroleum industry (and the oil belt) will benefit from high oil prices. The result: a 2.5% jump in 1990, followed by a 6.2% rise in 1991.

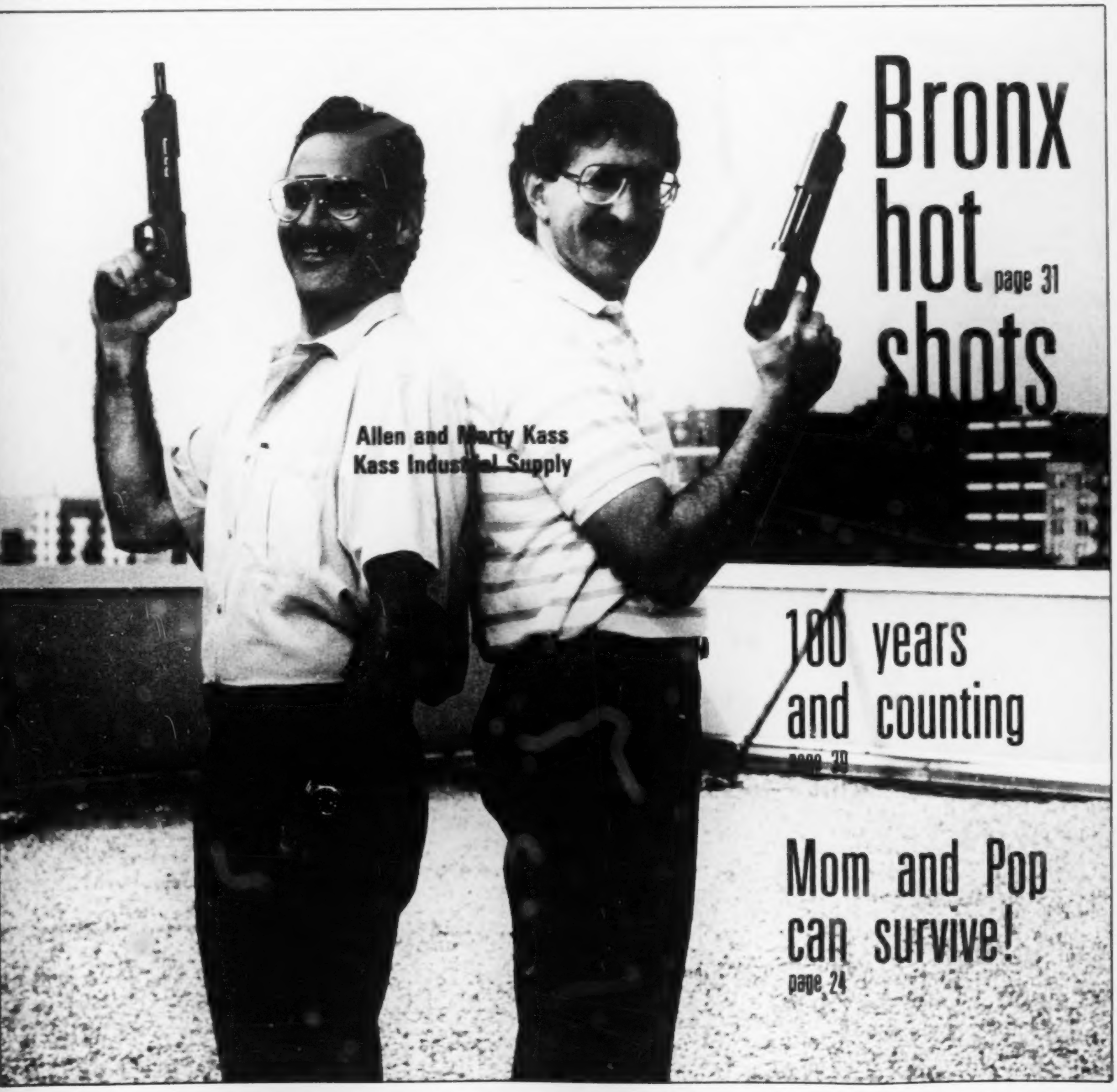
DECEMBER 1990
A CAHNERS PUBLICATION

Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL:

Diamond Film a reality



Allen and Marty Kass
Kass Industrial Supply

Bronx hot shots

page 31

100 years and counting

page 39

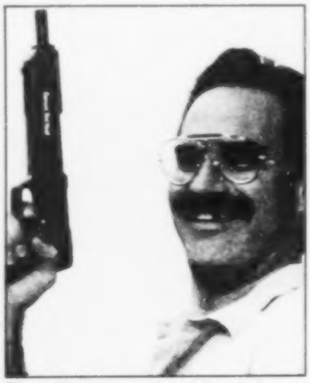
Mom and Pop can survive!

page 24

Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

VOL. 79, NO. 13 DECEMBER 1990 A CAHNERS PUBLICATION



The Kass cousins blend humor and street smarts to stay competitive in today's tough market.

Cover photography by Jeffrey Vock

DISTRIBUTOR PROFILE

24 Mom and Pop can survive!

There's plenty of room in the market for a family-owned independent distributor. Sheats Supply Services, in Indianapolis, Ind., proves that every day.

COVER STORY

31 Laughing all the way to the bank

Allen and Marty Kass of Kass Industrial Supply, in New York City, built a successful construction house with teamwork and a sharp sense of humor.

SPECIAL REPORT

39 100 and still counting

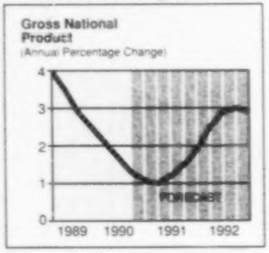
Depressions, recessions, wars and increased competition have not stopped these family-owned companies from reaching the magic century mark.

MANAGEMENT

9 Inside Distribution
The survivors.

47 Pacesetters
Larry McHugh,Radiac Abrasives.

63 Business Report



Data shows economy is not in a recession.

64 Clifton's View
Why you should convince employees that it's in their best interest to help your business prosper.

SALES & MARKETING

49 Strictly for Sales
Finding the right buying influence is a salesperson's toughest challenge.

DISTRIBUTOR'S UPDATE

5 At Press Time
Bruckner Supply contracts with GE; fastener bill passes Congress; Loctite sets up process center; computer costs dropping.

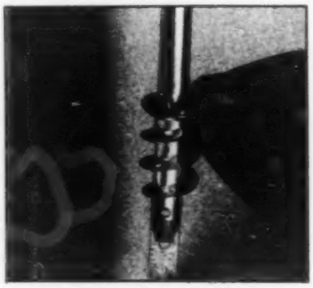
11 News
Norton introduces diamond film program; MHEDA releases sales pay survey; Baxter leaves Alamo; PTDA focuses on customer service; Wallace wins Baldrige award.

50 Calendar
51 Association News
59 Advertisers' Index

PROFITABLE IDEAS

53 Computers
An in-depth look at computer fax boards.

54 Profit Makers



New products you can sell.

56 Sales Aids
Brochures, spec sheets and catalogs.

59 Business Staff
60 Classified Marketplace

Industrial Distribution®, (ISSN 0019-8153) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Subscriptions include all issues. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Senior Vice President/General Manager, Boston Division; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER**: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.

INDUSTRIAL DISTRIBUTION® copyright 1990 by Reed Publishing USA; Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President.

Annual subscription rates for non-qualified individuals: USA, $60 per year; $80 Canada/Mexico; $85 per year for surface mail; $175 per year for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800.

REPRINTS: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018. (708) 635-8800

Thomas J. Colyer, Director of Diamond Film, Norton Co.

- **Improved surface finish.** Because diamond will not stick to other materials, and because galling (the wearing of material by friction) is reduced during cutting operations, parts made using diamond usually have an excellent finish.

Norton Co. is currently testing diamond film cutting tools in a pilot program with 10 industrial distributors. One of the distributors, Mark Fuller, president of REFCO, Inc., a cutting tool and abrasives house in Boylston, Mass., is testing diamond film tools with about 10 customers.

Fuller said that some of the test results have been dramatic. At one end user, a machinist who normally mills 80 fiberglass parts/insert with a carbide tool reported getting more than 9,000 parts/insert with a diamond film tipped tool.

While performance like that is impressive, Fuller pointed out that diamond film tools do cost more, sometimes up to 20 times more than conventional carbide products. "These tools sell themselves," Fuller said. "Once customers see the increased performance and productivity, they find it hard to resist."

But despite the positive test results, Fuller explained that diamond film will not replace carbide for steel applications. That's because diamond and steel both consist of carbon, which makes it difficult for diamond film tools to cut through steel.

"What we're talking about here are non-ferrous applications such as the cutting of aluminum, wood, fiberglass, and copper," Fuller said. "Certainly the use of diamond film tools will grow, but they won't completely replace existing conventional methods."—*By Steve Zurier* ☐

Outside sales pay tops 40K

VERNON HILLS, ILL.—The median annual compensation of a materials handling outside salesperson is $40,750, according to a recent study conducted by the Materials Handling Equipment Distributors Assn. (MHEDA).

Dan Reilly, MHEDA's executive vice president, said the 1990 study, entitled *Sales Compensation in the Material Handling Industry*, also provides information on how sales commissions are earned, and compensation comparisons based on distributor type. "This was the first time we have been able to come up with such a comprehensive sales study," Reilly said.

Reilly explained that the compensation study rounds out the association's series of research projects. Prior studies include reports on operations, owner and key executives compensation and managers and key personnel. This particular study was a challenge, he said, because every company had a different sales approach, making it difficult to arrive at an industry standard.

Despite that hurdle, MHEDA was pleased with the results. "One hundred-eighty equipment distributors responded, which represents a total of 675 salespeople," Reilly said. "We were very happy with the great participation in this survey."

Early estimates indicated that association members are also pleased. Reilly said that MHEDA has already received several orders for the study. The first copy of the survey is complimentary to participating member companies, with additional copies costing $25. Non-participating members are charged $50, and non-members $100 per study. ☐

IT PAYS TO BE IN OUTSIDE SALES

Median annual pay for a MHEDA salesperson

Sales Volume (in millions)	Type of Distributor Lift Truck	Gen'l Line	Eng'd Sys.	All
Under $1	$22,400	$36,450	*	$25,475
$1-2	32,000	33,849	$66,852	32,250
$2-4	33,994	39,447	64,029	34,600
$4-6	48,821	41,357	74,529	44,362
$6-10	37,152	44,502	*	39,195
$10-15	40,842	*	*	40,842
Over $15	50,200	*	*	50,916
All	$40,275	$38,500	$67,847	$40,752

*Insufficient data

Source: Material Handling Equipment Distributors Assn.

Baxter leaves Alamo to rep for suppliers in Mexico

SAN ANTONIO—Jim Baxter, a stalwart at Alamo Iron Works for the past six years and a well known industry figure, resigned from Alamo last fall to start Baxter International Representations, a manufacturer's rep business dedicated to selling MRO products in Mexico.

Baxter, whose background includes several years in Latin America with International Harvester and an M.A. in International Management, said he left Alamo to pursue his interest in international trade.

"When it comes to Mexico, I know the people, speak the language and sincerely believe that there's a tremendous opportunity for American manufacturers in the interior of Mexico," he said.

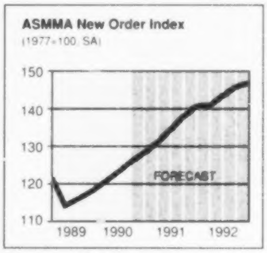
His plan is to build a business by representing American manufacturers to distributors in Mexico, providing them with market research, pricing strategies and tips on how to clear customs. He said his base will primarily be American Supply & Machinery Manufacturers' Assn.

BUSINESS REPORT

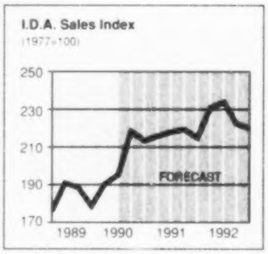
BY DR. JAMES HAUGHEY

The truth about recessions

Data shows economy is not in a recession.


ASMMA New Order Index
(1977=100, SA)

Data source: ASMMA
Forecast source: Cahners Economics


I.D.A. Sales Index
(1977=100)

Data source: Industrial Distribution Assn
Forecast source: Cahners Economics

Most readers have probably had their fill of the word recession, but it's time that some facts and concepts were discussed that get overlooked by most popular press.

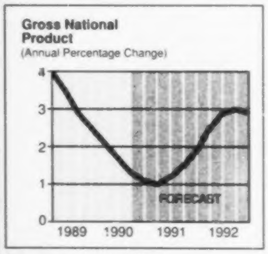
First, there is no evidence that the U.S. economy is in a recession. Second, a recession is not and never was inevitable in 1990 or 1991. Third, the Iraqi oil problems, unless Persian Gulf producers are prevented from shipping oil, are not a big enough drag on the economy to force a recession. Only a plunge in consumer spending, prompted by sensational, pessimistic headlines, can cause a recession now. And fourth, recessions in the 1990's will be so different from those of the past that the same word should not even be used to describe them.

These are minority opinions. True, economic growth is slow; some industries or regions are in a recession. The whole economy is not.

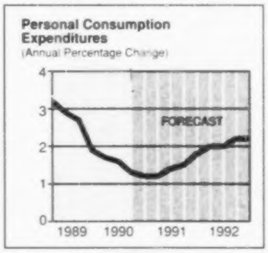
Third quarter economic data shows a rise in industrial production of 3.8% and smaller rises in inflation-adjusted factory sales and orders, consumer spending and exports. In fact, preliminary GNP numbers show the economy expanded by an annualized rate of 1.8% last quarter. There is no evidence of a recession in those figures.

Recessions do not start in the grocery store. They are prompted by large, abrupt declines in production levels of cyclical manufacturing industries. Industrial production growth peaked in February, 1990 and has since grown at a 4% annual rate. While the consumer economy weakened in 1990, the cyclical manufacturing economy strengthened, making an imminent recession unlikely.

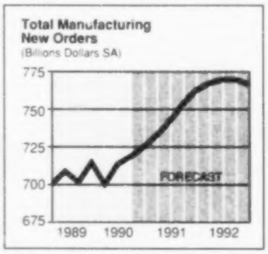
The fact that oil price and supply problems occurred on the eve of the 1974-75 and 1980 recessions is an insufficient reason to expect that the Kuwait invasion will cause a recession in 1990. In the earlier cases, the oil price jump was huge and sustained for several years. The supply loss was substantial and aggravated by inept government non-price rationing rules. Other commodity prices rose simultaneously. This happened just as cyclical industries were overstocked and headed for a downturn anyway. ☐


Gross National Product
(Annual Percentage Change)

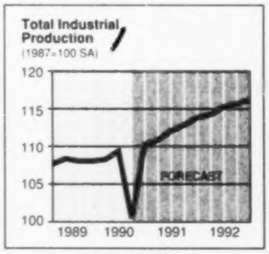
Data source: Commerce Dept.
Forecast source: Cahners Economics


Personal Consumption Expenditures
(Annual Percentage Change)

Data source: Commerce Dept.
Forecast source: Cahners Economics


Total Manufacturing New Orders
(Billions Dollars SA)

Data source: Commerce Dept.
Forecast source: Cahners Economics


Total Industrial Production
(1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics

(1977=100)	SALES Sept. 1990	 Aug. 1990	 Sept. '90 vs Sept. '89 % change	RECEIVABLES Sept. 1990 days	INVENTORY Aug.-Sept. 1990 % change
TOTAL	213.3	229.[illegible]	10.6	44	0.5
EAST	178.6	185.[illegible]	9.0	50.8	-0.8
SOUTH	326	358.6	22.5	40.1	1.3
CENTRAL	167.1	182.3	2.3	45.9	0.5
WEST	216.8	233.6	3.1	38.9	1.2

SOURCE: Industrial Distribution Assn.

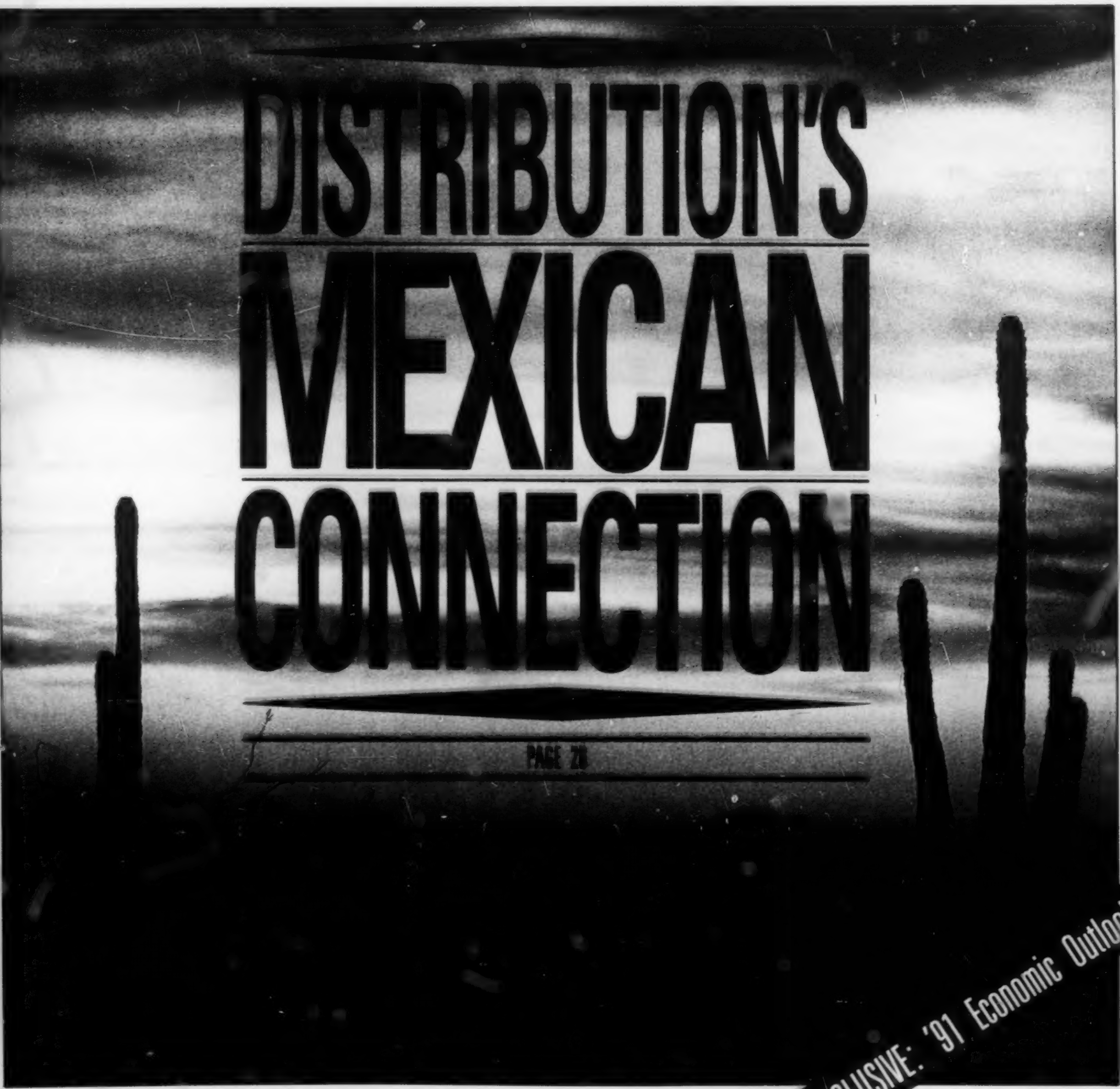
JANUARY 1, 1991
A CAHNERS PUBLICATION

Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL:

Expertise gains cutting tool sales



DISTRIBUTION'S MEXICAN CONNECTION

PAGE 28

EXCLUSIVE: '91 Economic Outlook

Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

VOL. 80, NO. 1 JANUARY 1, 1991 A CAHNERS PUBLICATION

A new era for industrial distributors is dawning along the U.S.-Mexico border.

Cover photography by Visual Images West, Inc.

ECONOMIC FORECAST

21 **The outlook for '91**

The economy continues to show signs of sluggishness but there are indications that stronger expansion is around the corner.

SPECIAL REPORT

26 **Distribution's Mexican Connection**

Distributors along the Mexican border report strong sales to Mexico's maquiladora industry.

PRODUCT FOCUS

33 **Expertise drives cutting tool sales**

Distributors who can provide technical expertise to their customers will gain market share in the '90s.

PARTNERING PROFILE

37 **Planned Partnering**

When Lyon Metal wanted input on a proposed partnering program, they got what they needed from Cheddy Carey.

IN THE SPOTLIGHT

43 **Alamo takes new stand**

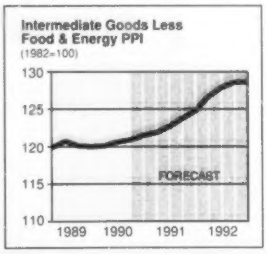
Alamo Iron Works is ready for the future with new owners, new headquarters and a new emphasis on customer service.

MANAGEMENT

7 **Inside Distribution**
The 'R' word.

47 **Pacesetters**
James N. Mitchell,
Milford Products Corp.

77 **Business Report**



78 **Clifton's View**
Keep your service standards above your competition.

SALES & MARKETING

49 **Strictly for Sales**
Be your own sales manager.

DISTRIBUTOR'S UPDATE

5 **At Press Time**
Turner Supply expands in Alabama; Distributor loses wage suit.

9 **News**
Congress simplifies estate-tax rules; San Antonio plays host to joint Southern-Western; NAHAD heads for Dallas.

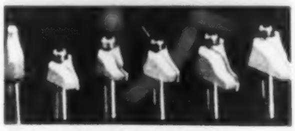
51 **Calendar**

51 **Association News**
75 **Advertisers' Index**

PROFITABLE IDEAS

53 **Computers**
PIMS: productivity-enhancing software.

55 **Profit Makers**



64 **Distribution Mart**
67 **Sales Aids**
75 **Business Staff**
72 **Classified Marketplace**

Industrial Distribution®, (ISSN 0019-8153) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Subscriptions include all issues. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Senior Vice President/General Manager, Boston Division; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER:** Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.

INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA.

Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $60 per year; $80 Canada/Mexico; $85 per year for surface mail; $175 per year for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800.

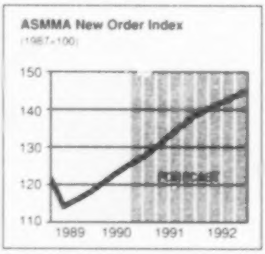
REPRINTS: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 635-8800

BUSINESS REPORT

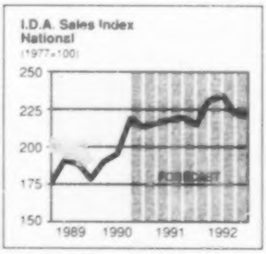
BY PAUL WATERS

Process industry forecast

Output expected to rise 4% in '91.


ASMMA New Order Index
(1987=100)

Data source: ASMMA
Forecast source: Cahners Economics


I.D.A. Sales Index
National
(1977=100)

Data source: I.D.A.
Forecast source: Cahners Economics

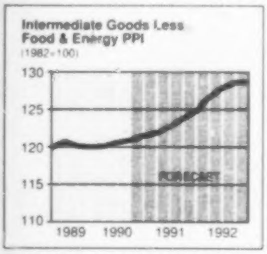
Process industry output is forecasted to rise 4% in 1991, up from an estimated 1.3% increase in 1990. Rebounds in important OEM and construction markets will boost demand for such materials as chemicals, plastics, and steel. Because inventories are now lean, producers of basic materials will have to fill new orders by increasing production. Prices will rise slightly, but ample capacity in materials like chemicals and plastics will prohibit sharp surges in price. Leadtimes will also be somewhat longer, but this should not be a problem for purchasing managers.

The average output by the process industries increased slightly in 1990. Process industries shipments also rose approximately 3.1%. After adjusting for inflation, however, real shipments for the year were flat. Profits for many firms in the process industries were squeezed by decreasing capacity utilization rates and soft prices.

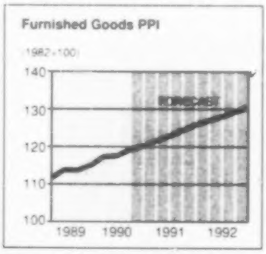
Capacity utilization in the primary processing industries (textile mills, paper, industrial chemicals, petroleum, rubber and plastic, lumber, primary metals, fabricated metals, stone, clay, and glass) slipped from a cyclical high of 89% in January 1989 to about 85.5% by the end of 1990. The outlook calls for improvement, however. The recent slow growth in capacity and higher demand for materials in the OEM and export markets will begin to boost operating rates in many process industries. Capacity utilization in that sector will hit 87.9% by the end of 1991.

Leadtimes for many industrial components and materials will become longer in 1991 and prices will rise accordingly. After sliding 8.7% in 1990, Cahners' leadtime index of industrial materials will grow a modest 2.4% in 1991. The large swings in leadtimes seen during previous business cycles will probably be a rare occurrence in the 1990's, due to changes such as just-in-time manufacturing and more flexible business capital. The business cycles themselves will not be as volatile in the '90s.

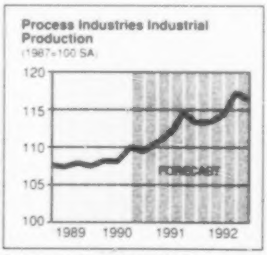
Prices of crude and intermediate materials will jump as a result of the crisis in the Middle East. Crude material prices rose an estimated 4.9% in 1990 and will rise an additional 5.3% in 1991. ☐


Intermediate Goods Less Food & Energy PPI
(1982=100)

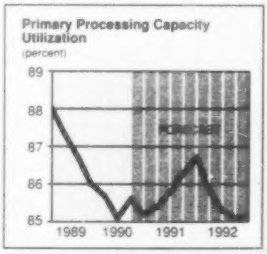
Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics


Furnished Goods PPI
(1982=100)

Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics


Process Industries Industrial Production
(1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics


Primary Processing Capacity Utilization
(percent)

Data source: Federal Reserve Board
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Oct. 1990	Sept. 1990	Oct. '90 vs Oct. '89 % change	Oct. 1990 days	Sept.-Oct. 1990 % change
TOTAL	205.7	175	17.5	37.9	-0.1
EAST	174.6	157.7	10.7	46.7	-1.4
SOUTH	274.5	248.3	10.6	36.3	0.0
CENTRAL	180.6	141.8	27.4	37	0.7
WEST	206.8	189.8	8.9	33.1	-0.6

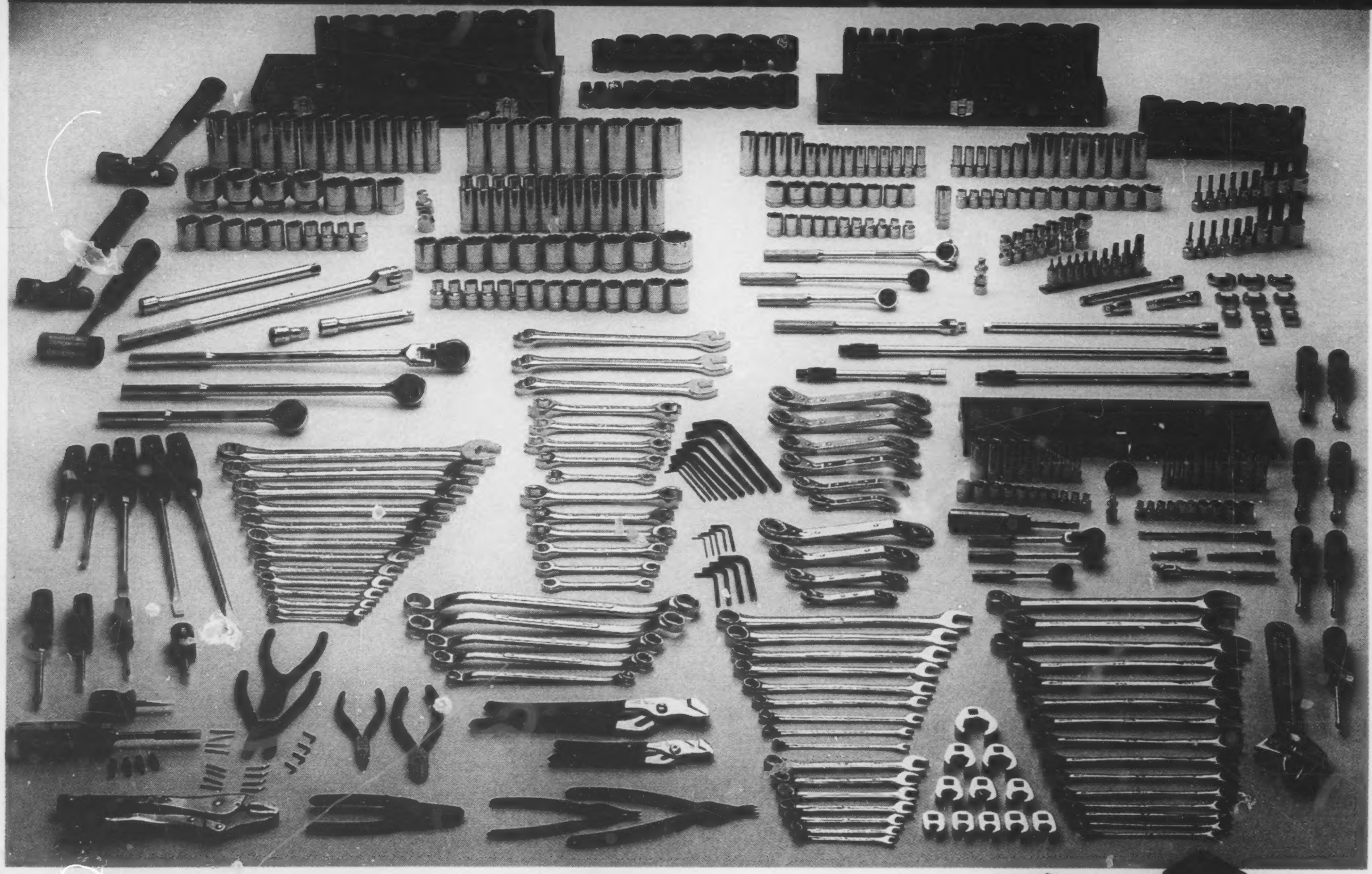
SOURCE: **Industrial Distribution Assn.**

G1850-4A

A CAHNERS PUBLICATION • JANUARY 15, 1991

Industrial Distribution

MARKETPLACE



301 Find the right tool here—p. 23

STOCK CHOICES FOR CUTTING TOOL USERS

Micro 100 has multi-flutes; OSG makes chips of alloys; Morse pegs blade sales—p. 11

SELL CONTROLLABLE POWER TOOL OUTPUT

Ingersoll-Rand counters torque's effects; Metabo's speedy; Aro's air—p. 17

MASTER BAR CODES, FORMS AND MORE

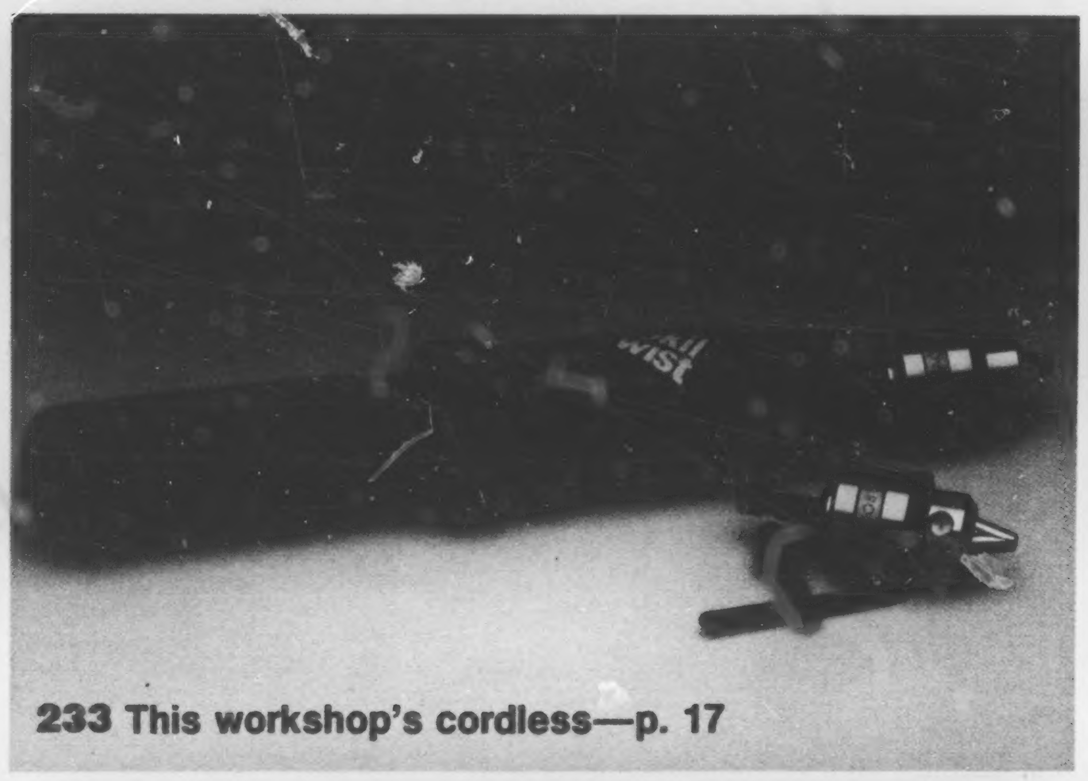
Monarch "imagineers" support; Printronix processes graphics; InforSource cares about DOS—p. 37

TRANSMIT POWER SMOOTHLY, RELIABLY

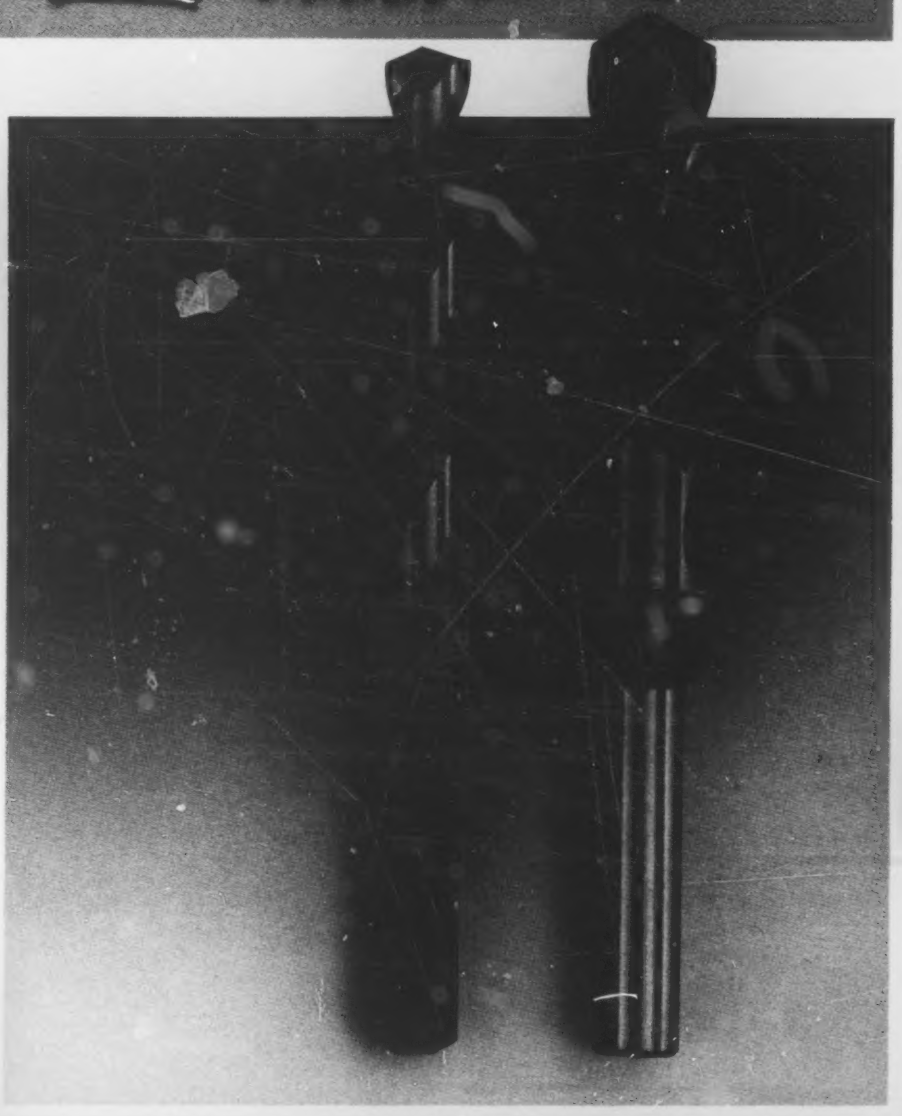
MagneTek's got the IGBT's; Peerless reducers are energy misers; Barden speeds spindle rpm's—p. 50

LIT PARADE LEADERS

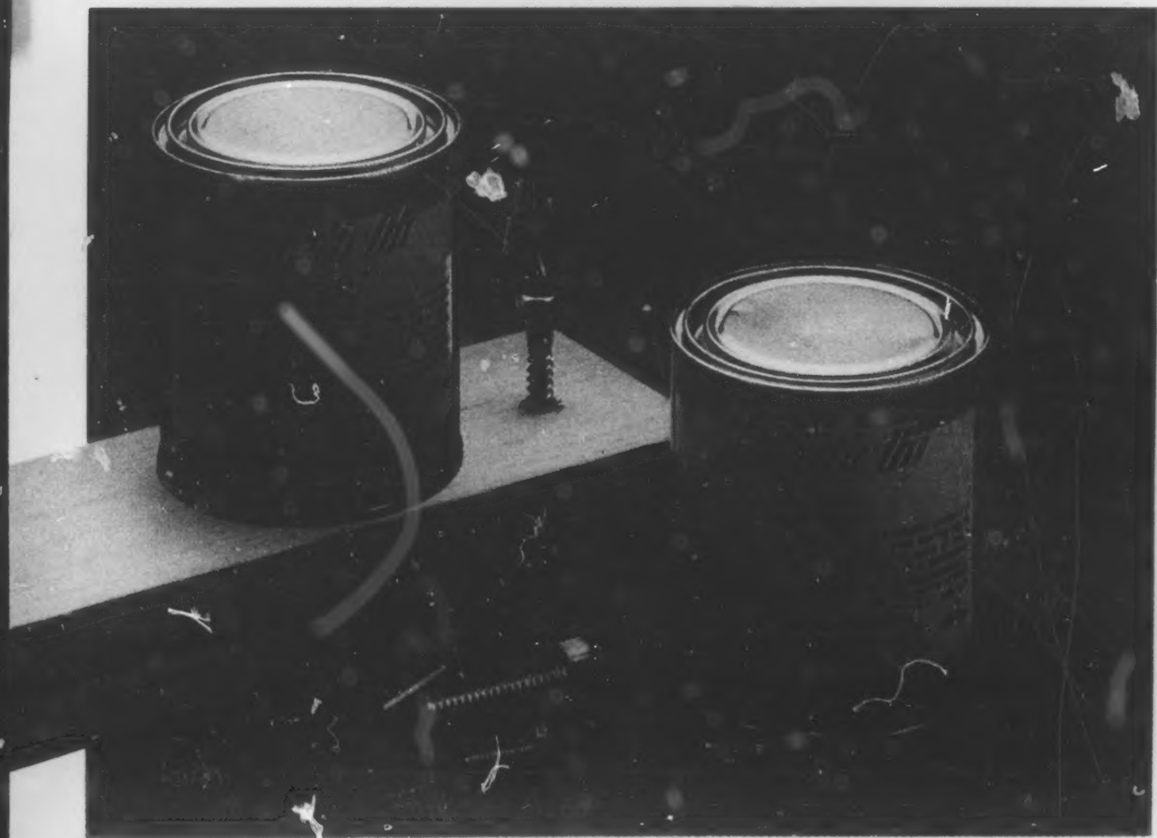
Industrial and marine cylinders; Concrete fasteners; Electrical necessities; DC brushless controls—p. 42



233 This workshop's cordless—p. 17



"Convexion" reduces fatigue—p. 15



161 Fill first, then anchor—p. 41

PLUS

EDITORS CHOICE

ID's Marketplace mavens focus on MRO supplies, intriguing OEM products, and a couple of nifty production line tools—p.8

Industrial Distribution
MARKETPLACE

JANUARY 15, 1991

VOL. 80, NO. 2

EDITOR-IN-CHIEF
John J. Keough
MANAGING EDITOR
George M. Fodor
ASSISTANT MANAGING EDITOR
Katherine L. Zwald
SENIOR EDITOR
Steve Zurier
ASSOCIATE EDITOR
Christine E. Forbes
ASSISTANT EDITOR
Diane A. Mercurio
ART DIRECTOR
Michael O'Leary
ASSOCIATE ART DIRECTOR
Deborah Queally
CONTRIBUTING EDITORS
Kris Bledowski
Robert G. Clifton
Doug Harper
Van Ness Philip
Paul Waters
EDITOR-AT-LARGE
George J. Berkwitt

PUBLISHER
John R. Kovacs

VICE PRESIDENT/PRODUCTION
A. Wayne Hulitzky
DIRECTOR PRODUCTION/
MANUFACTURING
John Sanders
PRODUCTION MANAGER
Harvey Solomon
PROMOTION MANAGER
Patricia Grant
CIRCULATION MANAGER
Carla Keller

PRESIDENT
Terrence M. McDermott
SENIOR VICE PRESIDENT
GENERAL MANAGER, BOSTON DIV.
Frank Sibley

EDITORIAL OFFICES
275 Washington St.
Newton, MA 02158
(617) 964-3030

Industrial Distribution®, (ISSN 0019-8153) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co., A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Senior Vice President/General Manager, Boston Division; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. POSTMASTER: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377. INDUSTRIAL DISTRIBUTION® copyright 1990 by Reed Publishing USA; Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $60 per year; $80 Canada/Mexico; $85 per year for surface mail, $175 per year for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800.

REPRINTS: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018; (708) 635-8800

8 Choose diversity to meet the market's needs.
Jacobs certifies chucks; Bostik goes on-line or on-site; Justrite cushions hazards; Klein strips with modules.

11 Cutting tools deliver versatile accuracy.
Champion develops jobber thrust; Cooper flexes through contours; Amada stores critical tooling.

15 Take abrasiveness out of abrading tasks.
Suhner "convexes" fatigue; Klingspor's disc mops up; Norton reveals new edges.

17 Portable power wins market share.
Jacobs adapts drivers to drills; Milwaukee outputs top torque; Metabo cruises.

23 Hand tools attract machinists' bucks.
SK gets masterful; Magna totes lightly; Clauss soars; Vaughan & Bushnell strike—repeatedly.

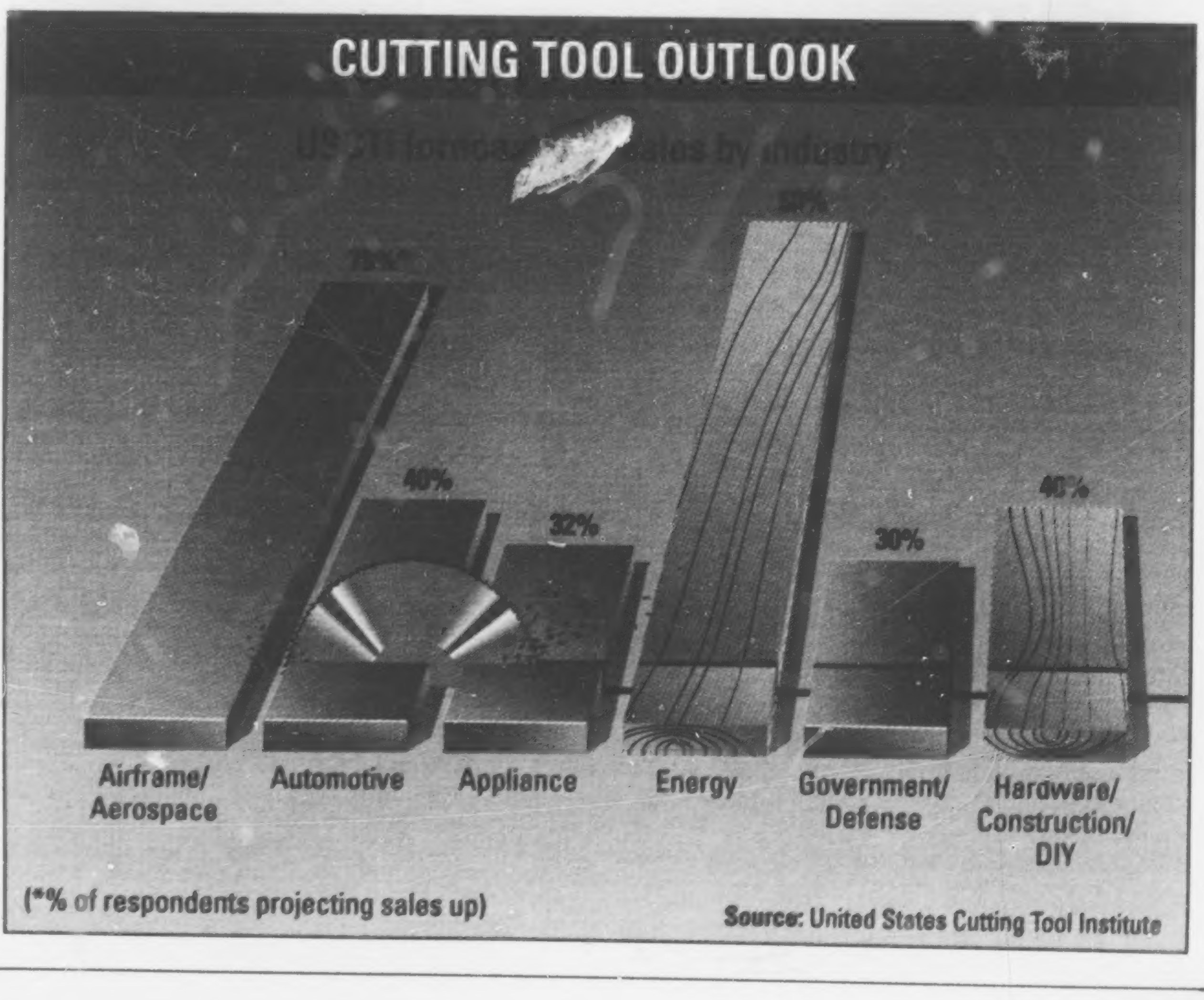
29 Couplings connect with hose sales.
Aeroquip disconnects quickly; Tridon showcases 440 clamps; NewAge stifles Carbon Tet.

37 Printers aimed at mid-market buyers.
DeskJet comes in under $730; Monarch marks the label; Computer Identics calls an audible.

41 Contractor specialties head up the Parade.
Smooth-On sheds oil and water; Master Lock has a 1-key solution; Shop Aid absorbs spills.

50 Solid state components control PT motion.
MagneTek purrs with IGBTs; Andantex matches faces and angles; Falk's got 275,000 combinations.

7 Editor's Page
52 People & Companies
46 Company Index
49 Advertisers' Index

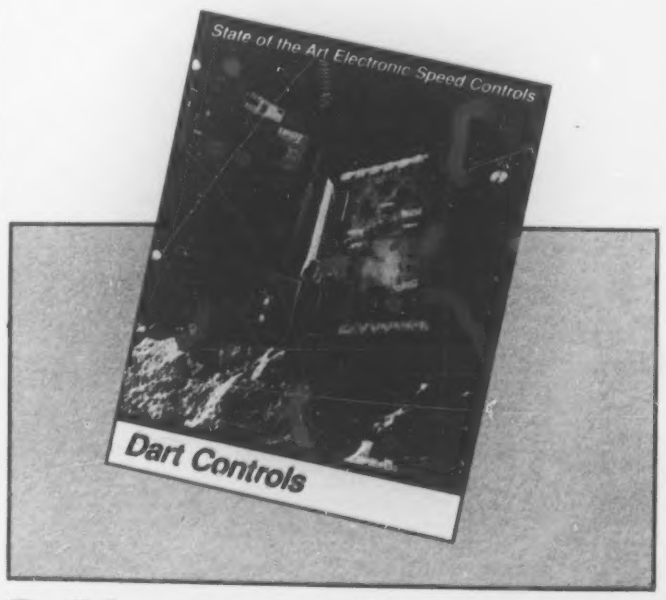


(*% of respondents projecting sales up)

Source: United States Cutting Tool Institute

Rotor Clip's ready for the worldwide retaining ring market--p. 56.

Document QC with electronic display of pneumatic variables--p. 42.



Build your spec library with the latest lit from select vendors—p. 42.

C1050-4A

FEBRUARY 1991
A CAHNERS PUBLICATION

Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL:

Abrasives outlook: sluggish

Wallace triumphs in race for Baldrige

page 20

Industrial Distribution®

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

VOL. 80, NO. 3 FEBRUARY 1991 A CAHNERS PUBLICATION

He's all smiles: John W. Wallace's firm becomes the first distributorship to earn a Baldrige.

Cover photography by Manuello Paganelli

PRODUCT FOCUS

17 Sluggish abrasives sales in '91

Look to the aerospace, automotive and heavy equipment sectors for bright spots in an otherwise dull year.

COVER STORY

20 And the winner is . . .

. . .Wallace Co., Inc.'s customer base, as the Houston distributorship earns a Baldrige Award for quality operations.

TRAINING

25 Sales training, supplier style

Martin Sprocket, Bosch and Armstrong-Blum show how training distributor salespeople pays off.

MANAGEMENT

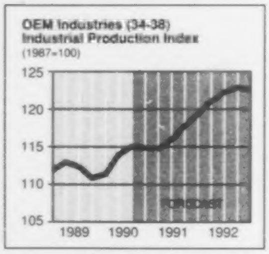
7 Inside Distribution

Move now to attract middle management talent.

30 Pacesetters

Frank N. Langs, Pferd, Inc.

61 Business Report



'91 growth pegged at 2.8%

62 Clifton's View

Embrace data collection and communication technology.

SALES & MARKETING

35 Strictly for Sales

Set priorities and get more productive.

DISTRIBUTOR'S UPDATE

5 At Press Time

Baldor wins; Reps to rap; Armstrong speeds OE; Norton enlivens dead stock.

11 News

Fastener regs are in effect; Distributors claim ¼ of all power tool sales; Do your own marketing; PTDA has MIS data.

37 Calendar

37 Association News

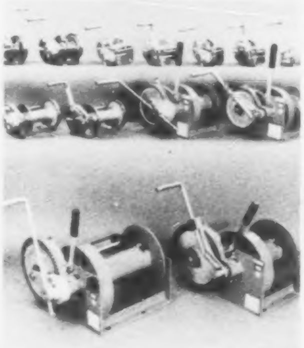
57 Advertisers' Index

PROFITABLE IDEAS

39 Computers

Human users deserve some TLC.

40 Profit Makers



New products you can sell.

55 Sales Aids

57 Business Staff

58 Classified Marketplace

Industrial Distribution®, (ISSN 0019-8153) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Subscriptions include all issues. Cahners is a Division of Reed Publishing USA. 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Senior Vice President/General Manager, Boston Division; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER**: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.

INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA.

Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $60 per year; $80 Canada/Mexico, $85 per year for surface mail, $175 per year for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800.

REPRINTS: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018; (708) 635-8800

NEWS

Expert says distributors held market in '90

MORROW, OHIO—Despite a difficult fourth quarter, market researchers Shea & Assoc. report that industrial distributors held their share of the power tool and accessories market in 1990.

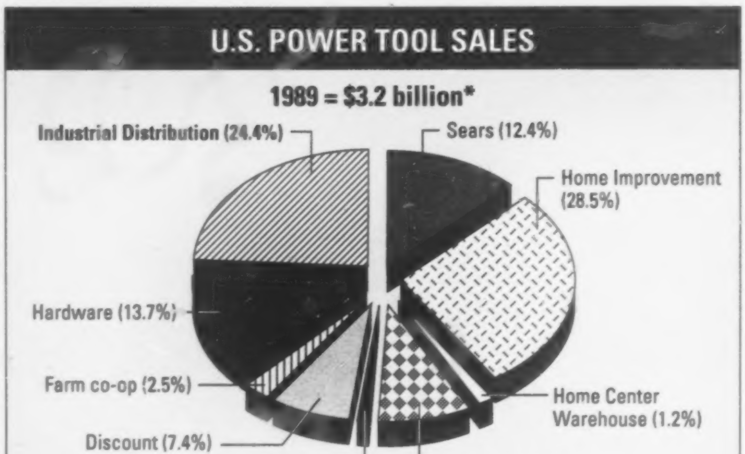
The 1990 market share figure is expected to be about 24.4%, the same as it was in 1989, said Thomas J. Shea, president of the research group (see chart). Shea, who recently completed an in-depth study of the power tool and accessories market, added that total 1989 sales topped $3.2 billion.

Shea pointed to two main reasons for distributors maintaining a strong share of the power tool and accessories market. First, the strength of the manufacturing sector. And second, the continued strong performance of remodelers in the construction industry.

"Industrial distributors selling to these markets should take a good hard look at their product mixes," said Shea. "The winners in the years ahead are going to be the distributors who can get the right products to end user customers on a just-in-time basis."

For those selling to manufacturing, Shea said drill bits, pneumatic tools and all types of metalworking accessories will continue to be the hot sellers. For the construction market, circular saws, saw blades, and power tool accessories will also be in demand.

Shea's study is a complete analysis of the power tool and accessories market, including production and import trends, and comparisons of production performance by product category. The report costs $1,000. For information, call (513) 899-3723. ☐



* Includes power tools and accessories.

Source: Shea & Assoc.

Industrial distributors held a 24.4% share of the power tool and accessories market in 1990—the same as in 1989.

Dayco buys Anchor Swan

DAYTON, OHIO—Mark IV Industries, parent company to Dayco Products, Inc., recently purchased Worthington, Ohio-based hose maker Anchor Swan for $52.9 million. Formerly a division of Harvard Industries, Anchor Swan will operate as a Dayco subsidiary.

Don Bethune, Dayco's president, said the two companies will run as they have in the past. Bethune anticipated no changes in Dayco's distribution policy.

Bethune said that with $140 million in yearly sales, Anchor Swan is one of the country's largest manufacturers of hose. The firm sells to automotive equipment manufacturers, the automotive aftermarket, and industrial accounts.

With the purchase of Anchor Swan, Dayco now claims a big edge in the thermal-plastic hose race, notes the firm's president, Don Bethune.

"This is an important move for Dayco," said Bethune. "Anchor Swan gives us a small-bore hose production capability which complements and broadens our product offering. In addition, we can now take advantage of Anchor Swan's edge in thermal-plastic hose."

While Bethune made it clear that Dayco distributors won't be selling Anchor Swan products, he did say that some Dayco products will be manufactured at Anchor Swan's five facilities across the U.S.

"This acquisition simply makes Dayco a stronger company," Bethune said. "I think our customers and industrial distributors will benefit in the years ahead from the technology and manufacturing expertise of Anchor Swan."

According to Bethune, Anchor Swan's leading products to the industrial market include general purpose, air, water, agricultural spray and air compressor hoses. ☐

Are your sales meetings boring?

MATTHEWS, N.C.—A new sales training course, *How to Conduct Non Boring Sales Meetings* has been developed by sales consultant Carl Henry.

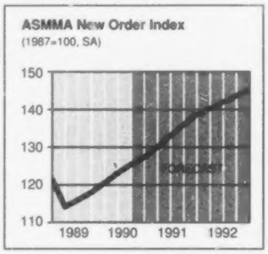
His goal: Make sales meetings lively and exciting. "Too many companies conduct sales meetings because they feel they have to," Henry said. "And, likewise, salespeople attend those meetings because they feel obligated. In many cases, nei-

BUSINESS REPORT

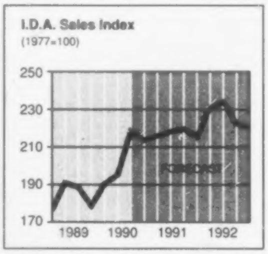
BY PAUL WATERS

Outlook for 1991 revised

Slow growth barely dodges recession.



Data source: ASMMA
Forecast source: Cahners Economics



Data source: I.D.A.
Forecast source: Cahners Economics

Heading into 1991, the economy is searching for the direction it was unable to find throughout 1990. Around the middle of 1990, the industrial sector began showing signs of revival, renewing hopes of a much touted soft landing for our economy. However, the effects of several political events put downward pressure on our fragile economy.

The first event was the savings and loan crisis, which is expected to cost a half-trillion dollars. This hobbled the nation's lending system.

The next event was the crumbling of the Warsaw Pact and the conversion of many communist nations to more market-oriented systems. Many investment opportunities suddenly appeared, attracting international capital and keeping interest rates higher around the world.

The federal budget package passed near the end of '90 was an effort to reduce federal deficits and borrowing. While the long-term impact will boost growth by reducing interest rates, the short-term effects of higher taxes and reduced government spending will be a drag on our sluggish economy.

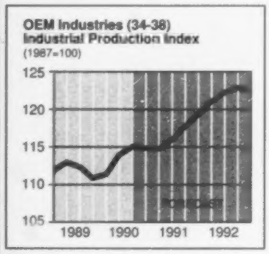
Finally, the Iraqi invasion of Kuwait in August was the most severe blow to the economy.

In late 1989, our outlook called for an upturn near the end of '90. Now, the outlook is for this slow period to continue through the first half of '91, if the Middle East stalemate is resolved early in '91.

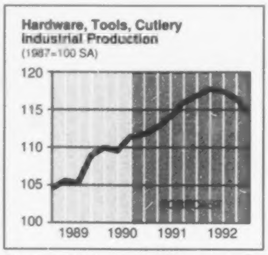
The new outlook has produced revisions for the forecasts of many industrial sectors. Total manufacturing is expected to expand 2.8% in 1991, down from our earlier forecast of 3.3%. Output in the process industries (materials) will rise 3.3% in 1991, while the OEM sector manages just 2.7% growth.

Fabricated metals is now expected to raise output 2.5% in 1991. The cutlery, hand tools, and hardware segment will see an above average 3.8% jump in output, however. Expect fasteners and stampings to also outperform other fabricated metal groups with 3.7% growth.

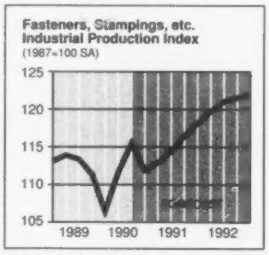
Industrial machinery and equipment will increase production 3.6% in 1991. The output of metalworking machinery (machine tools, accessories, et al.), for example, will inch up just 1.4%. ☐



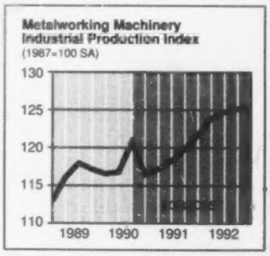
Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Nov. 1990	Oct. 1990	Nov. '90 vs Nov. '89 % change	Nov. 1990 days	Oct.Nov. 1990 % change
TOTAL	203.2	205.7	7.1	40.2	-0.8
EAST	178.7	174.6	15.8	50.7	-1.3
SOUTH	271.1	274.5	0.9	37.1	-0.3
CENTRAL	176.2	180.6	12.4	40.3	-1.0
WEST	215.1	206.8	11.3	34	-0.4

SOURCE: Industrial Distribution Assn.

C1250-4

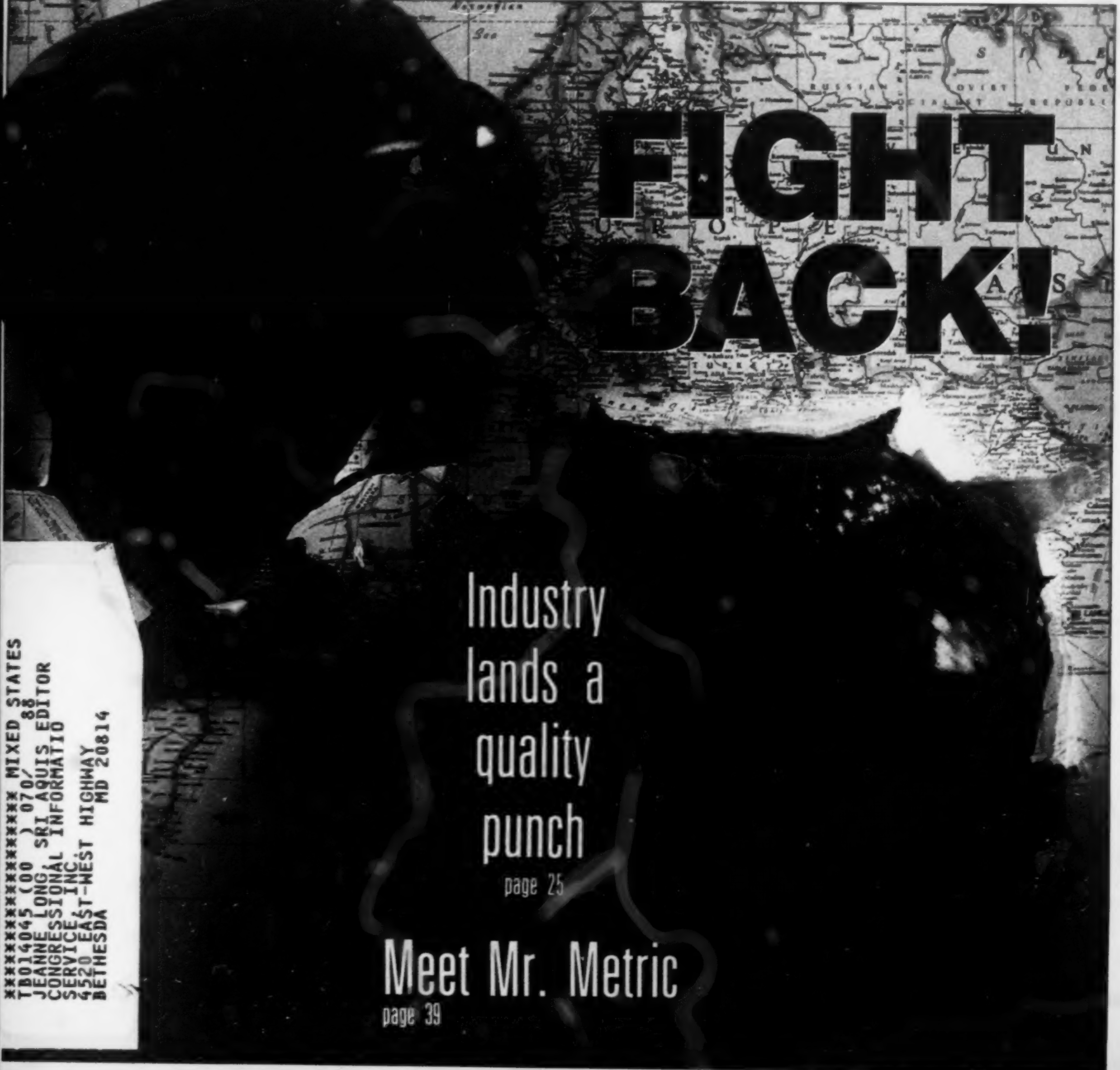
Industrial Distribution®

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

MARCH 1991
A CAHNERS PUBLICATION

SPECIAL:

Spotlight on hand tools



FIGHT BACK!

Industry lands a quality punch

page 25

Meet Mr. Metric

page 39

*************** MIXED STATES
TB014045 (00) 070/ 88
JEANNE LONG, SRI AQUIS EDITOR
CONGRESSIONAL INFORMATIO
SERVICE INC.
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

VOL. 80, NO. 4 MARCH 1991 A CAHNERS PUBLICATION

Cover photography by Jon Chomitz

Fight back!: distributors and manufacturers turn to quality in their battle against foreign competition.

PRODUCT REVIEW

19 Tools! Tools! Tools!

New and innovative products have been introduced by hand tool suppliers. Here's an update on items that have generated interest from our readers.

SPECIAL REPORT

25 Fight back!

American manufacturers and distributors wage war with foreign competition by using quality as a strategic weapon.

PARTNERING PROFILE

33 Straight Talk

How GRS Industrial Supply in Grand Rapids, Mich., keeps the lines of communication open with one of its key suppliers, Harbour Group's Greenfield Industries.

NEWSMAKERS

39 Mr. Metric

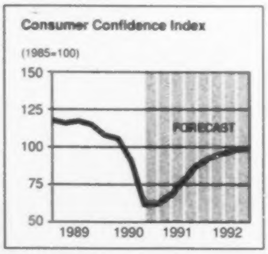
K.Y. Taylor, Chairman of North American Tool Corp. is critical of the way the U.S. is inching its way to the metric system. He's determined to do something about it.

MANAGEMENT

7 Inside Distribution
More on quality.

43 Pacesetters
Richard A. White,
Flexible Steel Lacing Co.

69 Business Report
Consumer spending will determine how long the recession will last.



70 Clifton's View
A barcoding breakthrough for distribution.

SALES & MARKETING

45 Strictly for Sales
Having a written job description can be one of your most useful sales tools.

DISTRIBUTOR'S UPDATE

5 At Press Time
U.S. to rule on overtime pay; Brubaker Tool buys N.E. Tap; Sandvik to buy Milford Products; DoAll expands.

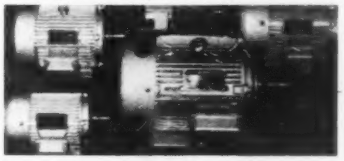
11 News
Credit crunch hits distribution; I.D.A/ASMMA hires exec to run Education Foundation; Hanita introduces new marketing program.

46 Calendar
46 Association News
65 Advertisers' Index

PROFITABLE IDEAS

49 Computers
Find the right prescription to cure your computer virus.

51 Profit Makers
New products you can sell.



57 Distribution Mart
61 Sales Aids
65 Business Staff
66 Classified Marketplace

Industrial Distribution®, (ISSN 0019-8153) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Subscriptions include all issues. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Senior Vice President, General Manager, Boston Division; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice [illegible] Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/[illegible] Resources. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER**: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.

INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA.

Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $60 per year; $80 Canada/Mexico; $85 per year for surface mail; $175 per year for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800.
REPRINTS: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 635-8800.

BUSINESS REPORT

BY PAUL WATERS

Consumers hold the key

Spending patterns dictate recession's length.

Unlike the 1986 slowdown, which affected only the industrial sectors, our current downturn reflects declining consumer spending, which generally accounts for almost 65% of total economic activity.

While the 1986 industrial slump barely produced a blip in the GNP figures, this consumer-led downturn has turned into a recession.

A chill clearly settled over the economy in the aftermath of the Iraqi invasion of Kuwait. Inevitably, the consumer downturn spilled over to the industrial sector especially since consumers have cut back more on buying goods than on spending for services.

The process industries looked healthy until the end of the third quarter of 1990. Then, with the OEM sector already slashing production schedules, demand for materials fell sharply. Process industries reacted quickly, and the total production index fell from 110.5 in August to 105.5 in December.

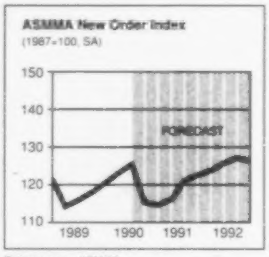
Gradual improvement is foreseen in 1991, with strength in the second half of the year. Expect a 1.4% increase in materials industry output this year. A weak dollar and strong foreign economies will boost export activity.

Not surprisingly, no material industry will see strong growth. Paper products will outpace most process industries in 1991, but the 2.6% growth expected is far from stellar. The manufacturing slump will hurt paperboard, but exports should continue to make up part of the loss.

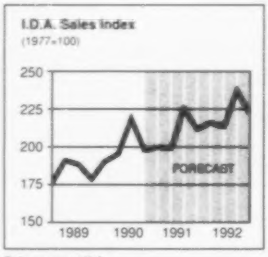
The recession will also hurt chemicals production, which will rise just 1.5% this year after a 1.4% climb in 1990. Plant and equipment spending on chemicals will rise only 8.5% after a 9.9% jump in 1990.

Plastic and rubber products output will increase 1.2% in 1991, after a sluggish 0.9% rise in 1990. Weakness in automobiles, appliances and construction held the industry back last year. As interest rates fall and consumer confidence increases after midyear, look for durable goods production to rebound, causing plastic and rubber products output to climb 5.3% in '92.

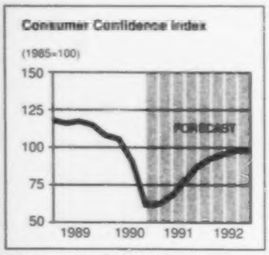
These factors will also boost primary metals production, which slid 1.1% in 1990. Rebounding end-markets by the end of 1991 will boost metals output 1.1% this year and help it surge 5.7% in 1992. ☐


ASMMA New Order Index
(1987=100, SA)

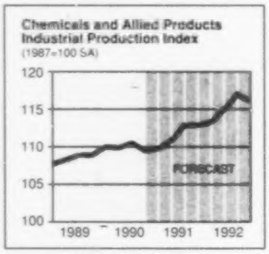
Data source: ASMMA
Forecast source: Cahners Economics


I.D.A. Sales Index
(1977=100)

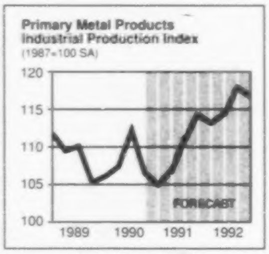
Data source: I.D.A.
Forecast source: Cahners Economics


Consumer Confidence Index
(1985=100)

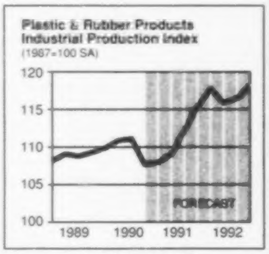
Data source: The Conference Board
Forecast source: Cahners Economics


Chemicals and Allied Products Industrial Production Index
(1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics


Primary Metal Products Industrial Production Index
(1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics


Plastic & Rubber Products Industrial Production Index
(1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Dec. 1990	Nov. 1990	Dec. '90 vs Dec. '89 % change	Dec. 1990 days	Dec. 1990 % change
TOTAL	185.3	203.2	13.7	43.0	0.2
EAST	189.9	178.7	46.2	47.6	1.6
SOUTH	258.3	271.1	27.2	40.9	1.0
CENTRAL	150.0	176.2	1.2	45.3	-0.4
WEST	190.8	215.1	19.9	39.0	-1.6

SOURCE: Industrial Distribution Assn.

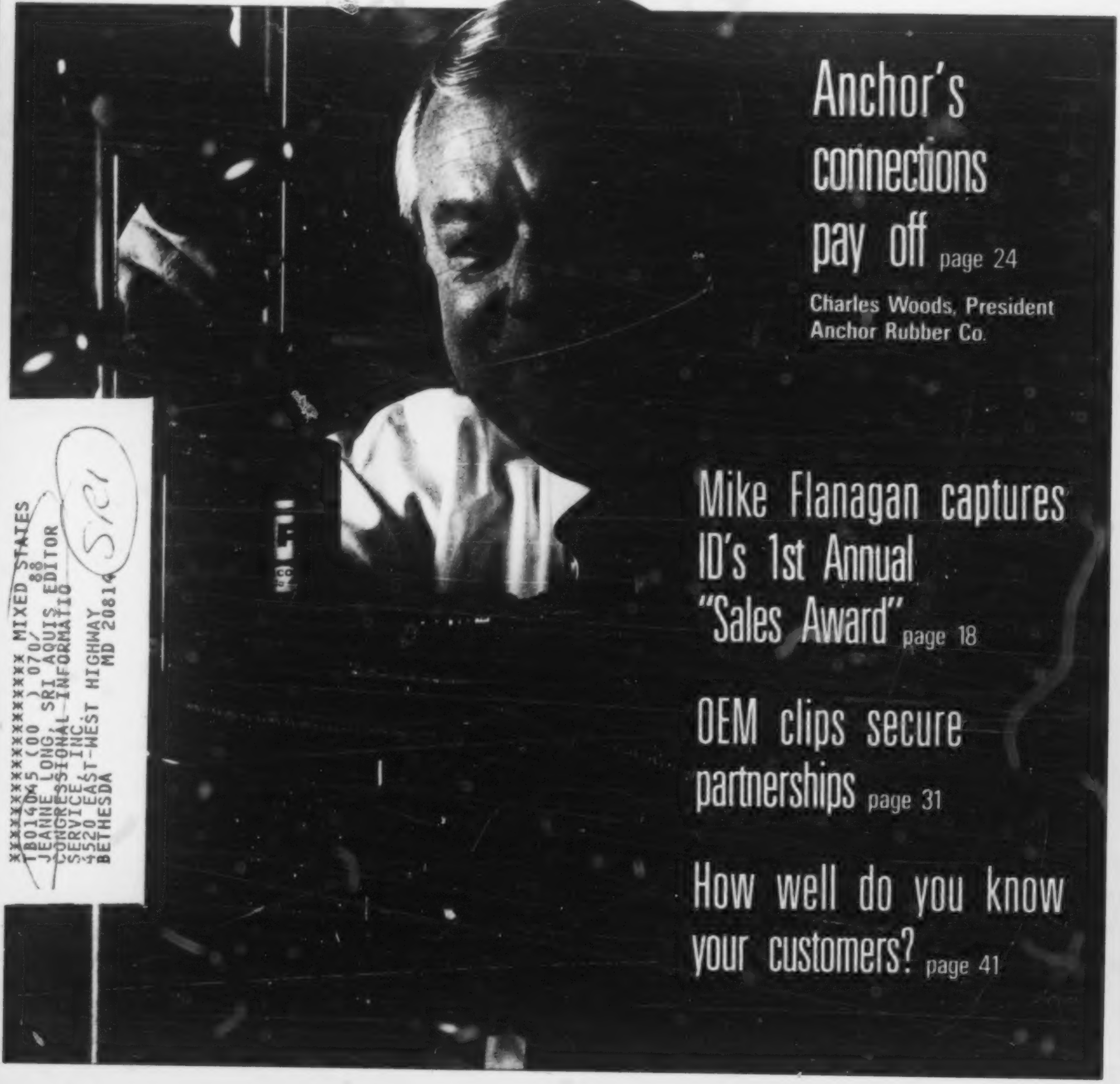
Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

APRIL 1991
A CAHNERS PUBLICATION

SPECIAL:

J-I-T comes of age page 34



Anchor's connections pay off page 24

Charles Woods, President
Anchor Rubber Co.

Mike Flanagan captures ID's 1st Annual "Sales Award" page 18

OEM clips secure partnerships page 31

How well do you know your customers? page 41

XXXXXXXXXXXXXXXXXXX MIXED STATES
TB0140045 (00) 070/ 88
JEANNE LONG, SRI AQUIS EDITOR
CONGRESSIONAL INFORMATIO
SERVICE INC
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

5/91

Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

VOL. 80, NO. 5 APRIL 1991 A CAHNERS PUBLICATION

Cover photography by Tom Rogowski

Chuck Woods was happy engineering until Anchor Rubber's founder convinced him to try distributing.

SPECIAL REPORT

18 Distribution's perfect example

In our first annual tribute to distribution's salespeople, ID's spotlight shines on Mike Flanagan for the stellar manner in which he's moved from shop floor to sales territory.

COVER STORY

24 Anchor's connections pay off

Here's a real-world look at how having trust and confidence in your people builds a network of quality connections.

PARTNERING PROFILE

31 This clip's a winner

When the distributor becomes facilitator, profitable partnerships result—as do win-win-win scenarios.

MANAGEMENT

36 Is J-I-T becoming S-O-P?

All kinds of specialists can find insights and ideas in the ways electrical distributorships tackle the J-I-T market.

MANAGEMENT

7 Inside Distribution

When a downturn isn't.

39 Pacesetters

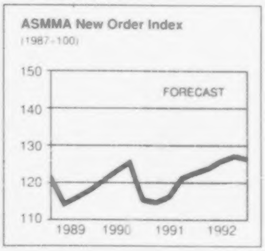
Ralph Rivera,
Industrial Div.,
Gates Rubber Co.

89 Business Report

Electronics markets charged.

90 Clifton's View

EDI consensus emerging.



SALES & MARKETING

41 Strictly for Sales

What can customer analysis teach you?

DISTRIBUTOR'S UPDATE

5 At Press Time

NAHAD to laud Cougars; AIS acquires Dixie Tool; EESCO grows; Milwaukee gets Pang.

10 News

Manufacturers lobby for attention; Briggs seeks supplier input; Loctite adheres to regs; IBM showcases solutions.

43 Calendar

43 Association News

Optimism abounds; succession at issue.

85 Advertisers' Index

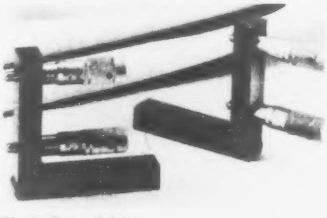
PROFITABLE IDEAS

45 Computers

Printing technology from impacts to lasers.

65 Profit Makers

New products you can sell.



81 Sales Aids

Suppliers' current catalogs, brochures and spec sheets.

85 Business Staff

86 Classified Marketplace

Industrial Distribution®, (ISSN 0019-8153 GST Reg. #123397457) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Executive Vice President; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. INDUSTRIAL DISTRIBUTION® is a registered trademark of Reed Properties Inc., used under license. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second class p[illegible]d at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER**: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.

INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA,

Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $64.95 per year; $99.95 Canada/Mexico; $109.95 per year for surface mail, $229.95 per year for air mail. Subscriptions include all issues. Except for special issues where price changes are indicated, single copies are available for $15. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800. **REPRINTS**: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 635-8800

Is J-I-T becoming S-O-P?

A quick check with leading electrical houses shows that as far as basic products are concerned, just- in-time deliveries are standard operating procedure.

By Robert G. Clifton, Contributing Editor

J.I.T.
J.I.T.
J.I.T.
J.I.T.

Inventory. You count it among your most valued assets. But many key customers see it as an avoidable liability. Avoidable, that is, if you deliver the "inventory" they want when they want it—just in time.

And while one of the core principles of just-in-time—helping customers contain the cost of possession—remains constant throughout distribution, there are some key differences in the way electrical supplies, on the one hand, and traditional mill supplies, on the other, get handled in J-I-T arrangements.

For example, Fred Friedrichs, vice president and manager, national sales division at Cameron and Barkley Co., explains that "once a J-I-T contract is signed with an industrial user, we aim to supply both electrical and industrial items using the same operating procedure." (Cameron and Barkley provides a particularly apt perspective on the issue, being a large distributor of both types of supplies.)

"However, behind the scenes, some differences exist in the ways we negotiate for J-I-T work and gear up to serve the customer," Friedrichs says. "For instance, because of the broader line of most industrial products, we usually must carry twice the inventory of industrial items for the same dollar of sales volume."

This, in turn, puts more responsibility on the distributorship's industrial suppliers to keep the pipelines filled. Such supplier performance is highly important, as all J-I-T contracts are closely graded for quality service—including on-time delivery.

PRODUCT SEGMENTATION

Another difference noted by Friedrichs relates to the bidding process in place at the new General Motors Saturn plant in Spring Hill, Tenn. Cameron and Barkley was evaluated as a potential vendor, he says, by two General Motors committees—one for industrial items and the other for electrical supplies. Friedrichs' firm won long-term contracts for both sectors.

Other supply contracts were for more homogeneous groups of products such as metals, cutting fluids and industrial gases. In all, twelve major contracts were let for a wide range of "indirect" (the automotive industry's term for MRO) products.

Because the average electrical distributor sells primarily to electrical contractors (44% of sales), and secondarily to industrial users (37% of sales), vendors in the electrical arena are not always geared up to provide the close inventory back up that successful J-I-T performance requires.

Ron Russell, marketing manager for Industrial Electrical Supply in Birmingham, Ala., finds it necessary to "sell" his vendors to convince them to provide adequate support. "We specialize in high tech and control equipment," Russell says, "and suppliers of these products are not as familiar with J-I-T needs as are vendors of more standard shelf goods."

This differentiation appears to suggest the old "chicken and egg" problem. Russell is sure that if he waved a long-term contract for electronic controls in front of his suppliers, their interest would pick up quickly. But, he ponders, can he successfully bid for such a contract without advance assurances of supplier support? "We keep jawing with them," he says, "and I'm sure they'll see the light soon."

Thomas & Betts Corp., producer of a broad line of electrical components, finds no special requirements from distributors to fill J-I-T needs. Charles Connelly, manager of distributor services, reports that the firm's *Total Quality of Excellence* (TQE) program smooths out potential rough spots before they develop.

"We know that some of our distributors' orders go to fill contracts, while others are destined for electrical contractor customers," Connelly says, "but we don't know which is which. In any case, we make only one high quality line, and deliver it faster than ever."

Connelly explains that the TQE program has resulted in 91% of each order being shipped on the first release, with completion of all releases averaging 19 to 20 days from date of order. The number of releases per order, he continues, has been slashed from between 4 and 5 to 2.2. "Our distributors tell us that it costs them

Electrical Distribution: %Sales by Product Group

Industrial controls	15.6
Power distribution equipment	**12.3**
Industrial/Commercial lighting	12.0
Wire—building	**8.5**
Fittings, boxes, fasteners	8.5
Lamps	**7.4**
Conduit and raceway	5.1
Wiring devices	**4.7**
Utility products	4.1
Residential lighting	**3.5**
Connectors, splicers, terminators	2.8
Cord and cable	**2.6**
Electric comfort conditioning	2.1
Fuses	**1.7**
Signal and communication	1.4
Tools	**1.3**
Motors	1.2
Ballasts	**1.1**
All other	4.1

Source: National Assn. of Electrical Distributors

Software that moves hardware

How would you define "same-day service" if you had to pick components from two warehouses, make an assembly and test it before shipping? If you shipped all such orders received before noon on the day received? Pretty good, no?

Not good enough. At Americable, an assembler/distributor of computer cabling and related devices headquartered in Minneapolis, Minn., with branches in Chicago, Dallas and Atlanta, turnaround time on some orders can be as speedy as two hours. That's 120 minutes. Four hours is old hat and yesterday's computer system.

Cheryl Riggle, a 14-yr MIS pro, says that the firm's new on-line computer system not only helps the 65-person inside sales staff work faster, but also helps the entire 250-person, $50 million organization work smarter.

Sellers work faster, she explains, because they have real-time access to stocking levels, availability and order status. "Inside salespeople simply call orders up on their screens and know immediately where orders are—when they were started and finished and the names of testers."

The system works well, Riggle continues, because of an enhancement to B.W. Rogers' *Tribute* software. "We devised a 'pull-pick-pick-pick-pack' scheme," she says. "The 'pull' orders direct warehouse people to pull bulk cable by bin location and a 'pick' is printed that will confirm the right cable for the job. Simultaneously, workers in the parts room 'pick' connectors and other components, again in bin sequence.

"At the same time, assembly 'picks' print out in the Quality Assurance department so that an assembler can be assigned to the task. Once the job is complete, it's sent to the shipping dock where it meets its 'packing' slip."

In this instance, *Tribute* initiates three processes simultaneously to help Americable meet emergency deadlines. It also, Riggle says, groups like products from incoming orders to optimize ordering. "We used to issue a hundred P.O.'s a day," she explains, "now we do 75, but that total reflects growth and what we can do with the system."

It took Americable about eighteen months to select *Tribute*. "We had every department involved," Riggle says. "We sent out 75 Requests For Proposal and got about 30 responses. We narrowed down to the top seven. The B.W. Rogers software provided the functionality that best suited our needs. In the end, our salespeople said that if we didn't choose *Tribute*, they'd just as soon start the process over."

CUSTOM handmade hose specialists

- *Smooth or Corrugated!*
- *Soft Wall or Wire Helix!*
- *From ½" through 42" I.D.!*
- *Lengths to 50 feet!*

■ No matter what your customers' slurry or dry bulk needs, when you offer them Salem-Republic Hose, you're offering them the ***best***. That's because all our hose is custom designed, compounded, and produced to suit each customer's exacting needs. Pressure ratings to 400 psi or full vacuum service in the most hostile environments.

Moreover, because Salem-Republic goes to great lengths to select the right compound, the best fabric, and the proper end connection, your customer's advantage includes low first cost, low upkeep, and longest service life.

Call today to see how Salem-Republic's expertise added to your product team can help boost your customer satisfaction.

SR salem-republic rubber company

P.O. Box 389, Sebring, OH 44672 • (216) 938-9801
1-800-221-5389 USA / 1-800-686-4199 Ohio
FAX: 216-938-9809

► CIRCLE NO. 27

about $75 to handle each shipment," Connelly reports. "Our goal is to drop below 2 shipments per order."

In addition to shipping orders more quickly, Thomas & Betts is intent on jacking up service quality in several areas. For example, regional distribution centers have been cut from five to two. This allows more one-stop order filling involving less human handling. "Up to 99.8% of our order lines are filled accurately," Connelly notes.

It is this kind of push that provides strong backup of distributors who serve J-I-T contracts.

George Wilson, president of Denver's Ryall Electric Supply, says that "to supply our J-I-T contract industrial customers, we rely on makers who specialize in the higher quality industrial lines as contrasted to those manufactured for contractor customers. Wilson estimates that, having been in the industrial market for over 50 years, Ryall Electric's sales to industry account for 50% of the firm's total business.

"Vendors specializing in the lower grade contractor lines are less familiar with our support needs to service the J-I-T market," Wilson explains. "So when we bid on a contract, we concentrate on experienced, industrial-type vendors' products.

'A supplier's support is critical in order for J-I-T to succeed.'

"Sometimes we lose the contract to a lower bid, but we are better off in the long run," Wilson says.

Cameron and Barkley's Friedrichs explains that the reputations of his firm's J-I-T accounts helps him avoid differentiating among suppliers the way Ryall's Wilson does. "We have multi-plant contracts with companies such as General Motors and General Electric," Friedrichs says. "Our suppliers recognize the importance of the highest quality service to these accounts—especially if we are to retain them for the long run." ☐

J-I-T do's and don't's

Here's a list of things you should consider in negotiating a J-I-T contract.

J-I-T contracts offer distributors great and growing opportunities. But the unwary face some pitfalls. So say John P. Flanagan and James P. Morgan, co-authors of *Just-In-Time for the '90s*, published under the auspices of NAW's Distribution Research and Education Foundation. The book is important reading for distributors who are negotiating their first J-I-T contracts.

Flanagan and Morgan warn that a distributor is bound to fail unless he or she understands that J-I-T is a solid business **strategy**, not simply a **tactic** to shuffle inventory cards. Among the traditional mind sets that must be changed for success in J-I-T are the notions that:

- Inventory is traditionally thought of as an asset, but to J-I-T contractors and customers, it's a liability. The customer doesn't want to be burdened by inventory, expecting, instead, that the contractor provide it on a precise schedule. As a result, the distributor carefully manages his own inventory.
- **Lot sizes have conventionally been seen as the economic number of units to manufacture. But under J-I-T, lot sizes are kept small to minimize work-in-process inventories which, in turn, influences distributor deliveries.**
- **Buyers have traditionally seen suppliers as adversaries to be played off against one another. But in a J-I-T relationship, the chosen supplier is seen as a partner in a mutually profitable relationship.**
- **Both parties have come to view workers as inherently valuablesources of suggestions on how to improve the quality of the material and its delivery.**

***Just-In-Time for the '90s*, by Flanagan and Morgan, can be ordered direct from DREF at the NAW offices. The address is 1725 K Street, NW; Washington, DC 20026. For faster service, call NAW at (202) 872-0885. Better still, take advantage of your member benefits by ordering through your distributor association for a reduced cost.**

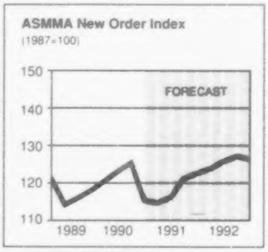
BUSINESS REPORT

BY PAUL WATERS

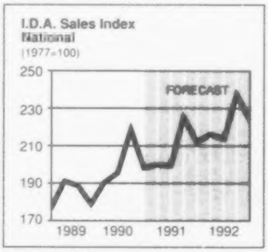
Electronics strong in '91

Double-digit growth seen for orders and shipments.

With low interest rates and strong business investment combining to brighten economic conditions by year's end, electronics distributors can expect both new orders and shipments to make strong gains over 1990 levels. Forecasts call for new orders to rise 13.2% this year and 14.1% in 1992, while shipments will swell 11.1% and 12.5% respectively.


ASMMA New Order Index
(1987=100)

Data source: ASMMA
Forecast source: Cahners Economics


I.D.A. Sales Index
National
(1977=100)

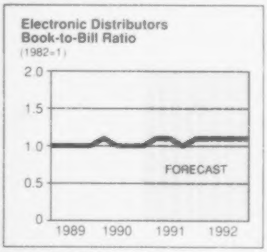
Data source: I.D.A.
Forecast source: Cahners Economics

Electronic components will lead this advance. Shipments within this subsector grew 3.5% in 1990 to $60 billion. Look for more than 5% growth in both 1991 and 1992. New component orders are also rising at a healthy pace. After a 3.3% climb in 1990, new orders for components will rise 6.1% in 1991 and 8.0% in 1992. Cahners Publishing research reports component leadtimes lengthening to 7.4 weeks in February, up a week from a year ago. As demand picks up, look for delivery times to remain above 6 weeks.

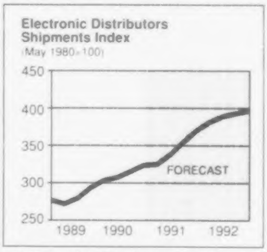
This upbeat news follows modest growth at the end of '90. In the final quarter, electronic distributors reported that new orders grew 9.6% from year-previous levels. Although this quarterly gain is the weakest recorded since 3Q '89, orders for all of 1990 made a healthy gain. According to the National Electronic Distributors Assn., new orders swelled 13.7% above the 1989 level. This performance represents a rebound from a 1.3% decline in 1989.

Book-to-bill ratios point to underlying strength in electronics distribution. The most recent data revealed that this measure stood at 1.04 compared to only 0.98 in December, 1989. This is the sixth consecutive month the book-to-bill ratio has stood above 1.00. Cahners Economics expects the ratio to stay above 1.00 in every quarter, averaging 1.06 for all of 1991.

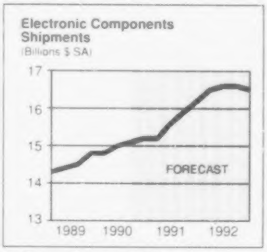
Electronic distributor shipments inched up 3.1% from an index value of 324 (1980=100) in November to 334 in December, 10.2% above the fourth quarter 1989 level. In addition, shipment data for the entire year came in slightly stronger than anticipated. Shipments ended 1990 with a gain of 11.4% over the 1989 level. Expect distributor shipments to continue rising this year, albeit at a slower pace than that for orders. ☐


Electronic Distributors Book-to-Bill Ratio
(1982=1)

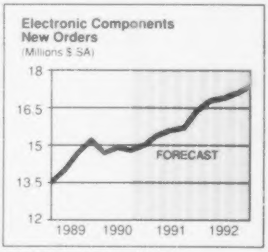
Data source: Nat'l Elec. Distributors Assn.
Forecast source: Cahners Economics


Electronic Distributors Shipments Index
(May 1980=100)

Data source: Nat'l Elec. Distributors Assn.
Forecast source: Cahners Economics


Electronic Components Shipments
(Billions $ SA)

Data source: Commerce Dept.
Forecast source: Cahners Economics


Electronic Components New Orders
(Millions $ SA)

Data source: Commerce Dept.
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Jan. 1991	Dec. 1990	Jan. '91 vs Jan. '90 % change	Jan. 1991 days	Jan. 1991 Dec. 1990 % change
TOTAL	203.1	185.3	6.1	39.1	0.6
EAST	212	189.9	33.2	44	-0.6
SOUTH	294.9	258.3	16.1	38.1	1.9
CENTRAL	165.3	150	-2.2	38.9	0.0
WEST	211	199.9	9.4	33.9	1.5

SOURCE: Industrial Distribution Assn.

4850-4A

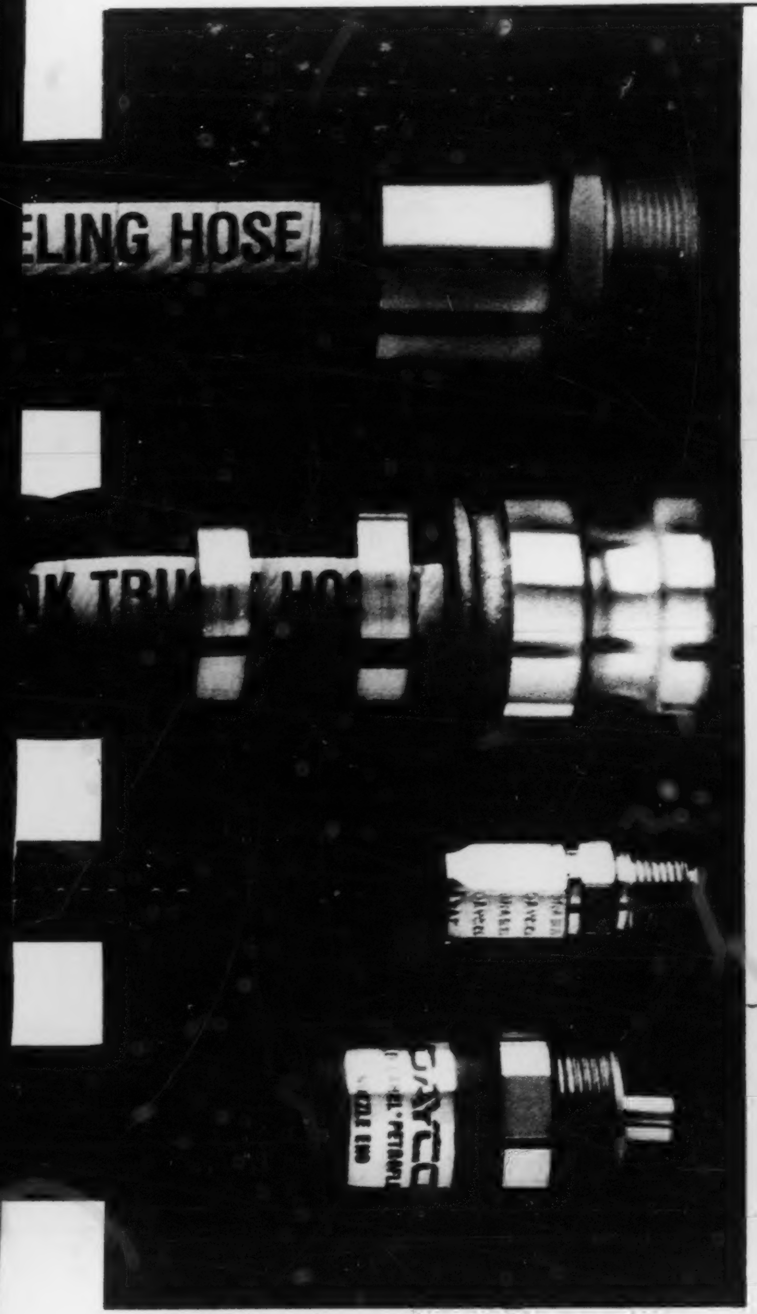
A CAHNERS PUBLICATION

MAY 1, 1991

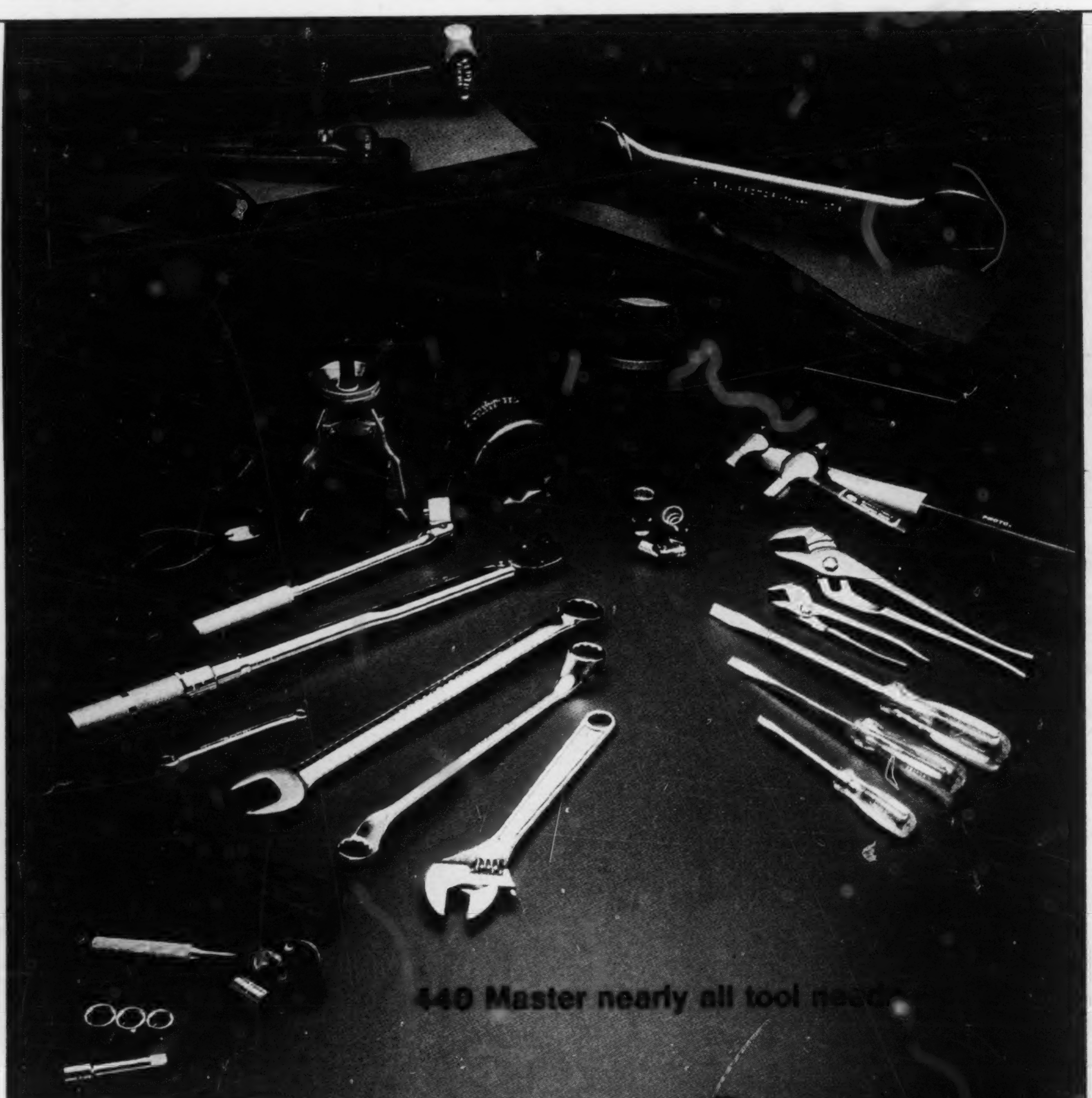
EXCLUSIVE SECTION PREVIEWS THE I.D.C.

INDUSTRIAL DISTRIBUTION® MARKETPLACE

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS



336 Strike hose "gold"—p. 33



440 Master nearly all tool needs

COMPARE CUTTING TOOL PERFORMANCE

Harvey cuts hard corners; National atomizes steel; Weldon's micro grain skiing—p. 11

STOCK VERSATILE HAND TOOLS

Bondhus doubles blades; American Tool's new angle; Wheeler brushes tubes—p. 29

SPECIAL PRODUCTS OPEN MARKETS

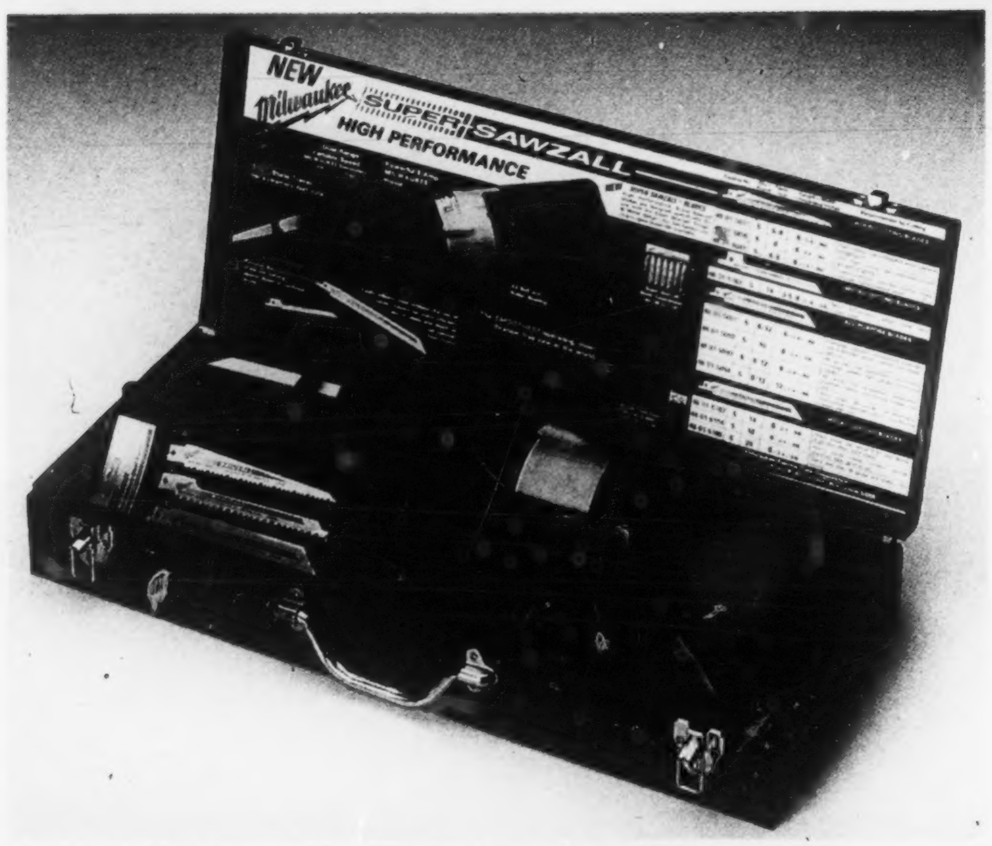
Loctite restrains ESD; Armstrong jacks tons; Morgan reduces slip-ups—p. 53

HANDLE MATERIALS WITH EASE

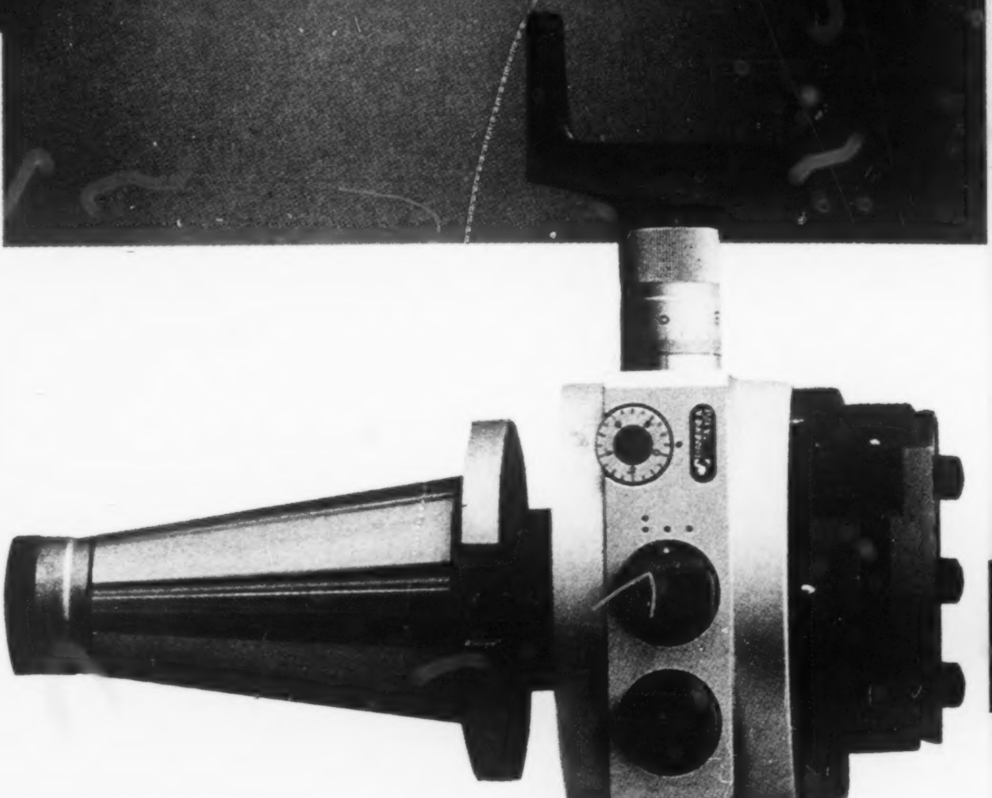
Justrite recycles; Akro-Mils has colorful bins; Delta protects; Colvin totes—p. 69

LIT PARADE LEADERS

Double-unit conveyor carcass; Cutter and accessory specs; Lubes, degreasers and more; Hot-melt handlers—p. 54



203 Balance reduces fatigue—p. 41

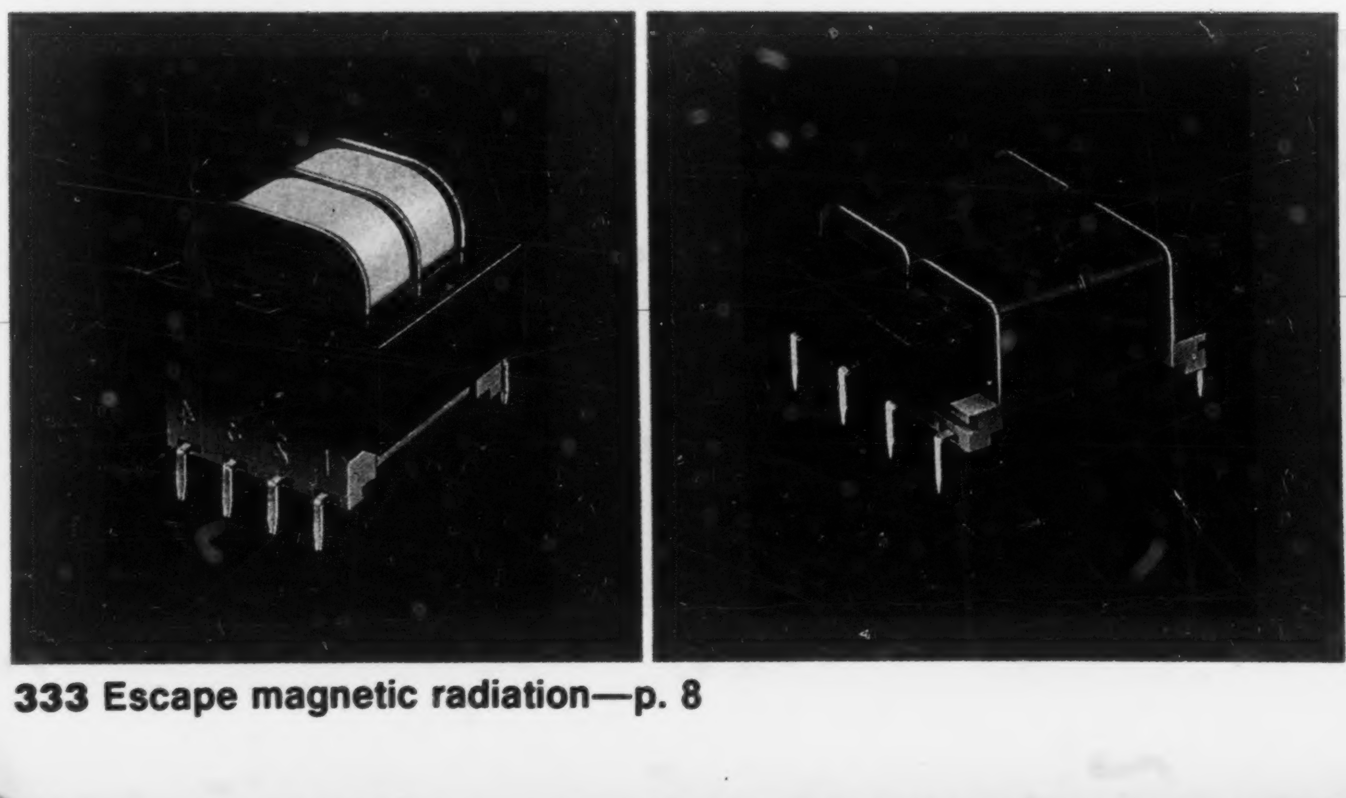


263 Lathe control—p. 11

PLUS

EDITORS CHOICE

Consult this month's choice from ID's Marketplace mavens before adding breadth and depth to your "special" inventory—p. 8



333 Escape magnetic radiation—p. 8

96 Layered slicing—p. 25

INDUSTRIAL DISTRIBUTION®
M·A·R·K·E·T·P·L·A·C·E
THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

MAY 1, 1991
VOL. 80, NO. 6

EDITOR-IN-CHIEF
John J. Keough
MANAGING EDITOR
George M. Fodor
ASSISTANT MANAGING EDITOR
Katherine L. Zwald
SENIOR EDITOR
Steve Zurier
ASSOCIATE EDITOR
Christine E. Forbes
ASSISTANT EDITOR
Diane A. Doucette
SPECIAL PROJECTS EDITOR
Debra L. Bulkeley
ART DIRECTOR
Michael O'Leary
CONTRIBUTING EDITORS
Robert G. Clifton
Doug Harper
John F. Monoky
Van Ness Philip
Paul Waters
EDITOR-AT-LARGE
George J. Berkwitt

PUBLISHER
John R. Kovacs

VICE PRESIDENT/PRODUCTION
A. Wayne Hulitzky
DIRECTOR PRODUCTION/
MANUFACTURING
John Sanders
PRODUCTION MANAGER
Harvey Solomon
PROMOTION MANAGER
Amy Belforti
CIRCULATION MANAGER
Carla Keller

PRESIDENT
Terrence M. McDermott
EXECUTIVE VICE PRESIDENT
Frank Sibley

EDITORIAL OFFICES
275 Washington St.
Newton, MA 02158
(617) 964-3030

Industrial Distribution®, (ISSN 0019-8153, GST Reg. #123397457) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Subscriptions include all issues. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Executive Vice President; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. INDUSTRIAL DISTRIBUTION® is a registered trademark of Reed Properties Inc., used under license. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER:** Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377. INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA; Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $64.95 per year; $99.95 Canada/Mexico; $109.95 per year for surface mail, $229.95 per year for air mail. Subscriptions include all issues. Except for special issues where price changes are indicated, single copies are available for $15. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800.

REPRINTS: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018; (708) 635-8800

8 Specialized products serve choice niches.
Sandvik plates "true" grit; Anderton springs pin sales; MagneTek needs no shield; Enerpac seeks out bolts.

11 Cutting tools abet advanced production.
Whalley modularity increases rigidity; Criterion provides control; Swiss Precision mills at 75,000 rpm.

25 Bonded abrasives scale performance heights.
Pearl segments protect against undercuts; Weiler hub reduces vibration, Milacron technology uses less power.

29 Set options customize hand tool sales.
Stanley-Proto's "double-dozen-plus" offers depth; Urrea combines fractionals and metrics; Wright Mega Master a "Pro."

33 Suppliers meet in-plant and field hose needs.
Dayco refuels through "gold;" Freelin-Wade's got no kinks; Nibco complies.

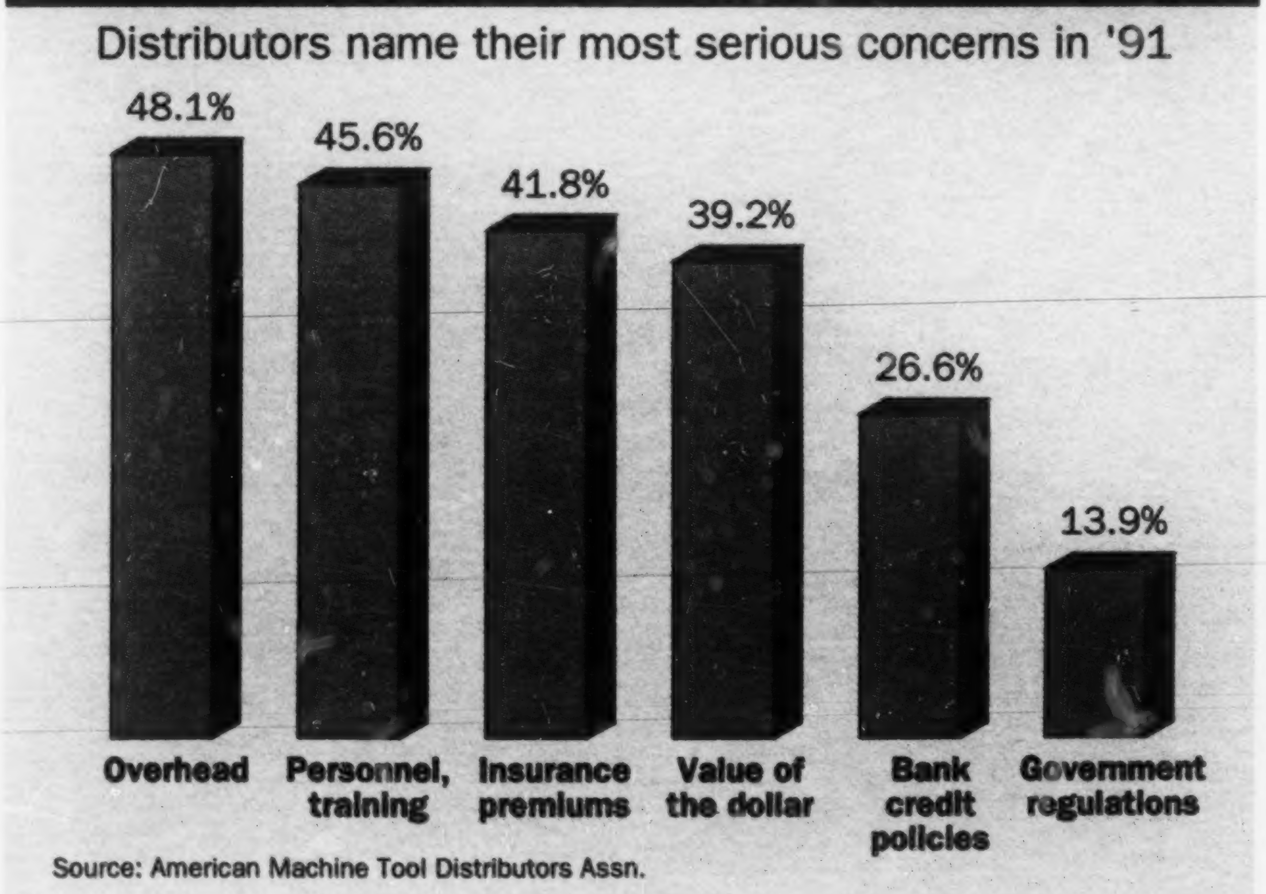
41 Easy-handling power tools attract $$$.
Milwaukee's reciprocation balanced; Stockbridge's bands're portable; Sioux penetrates cavities; Gates goes without taste.

47 Friendly software diminishes byte fright.
Brock controls sales data; SSI manages inventory; Integrated WYSIWYG creates labels; TIMS fills a DEC.

53 Parade leads to one-stop shop credibility.
Loctite isolates electrons; Bostik melts at low temps; Armstrong seals won't blow; DeVilbiss stainless sprays solvents.

69 Bins 'n baskets handle hazmats 'n bulkies.
Justrite contains waste; Buckhorn endures round trips; Colvin thermoforms ride piggyback; Penco adapts.

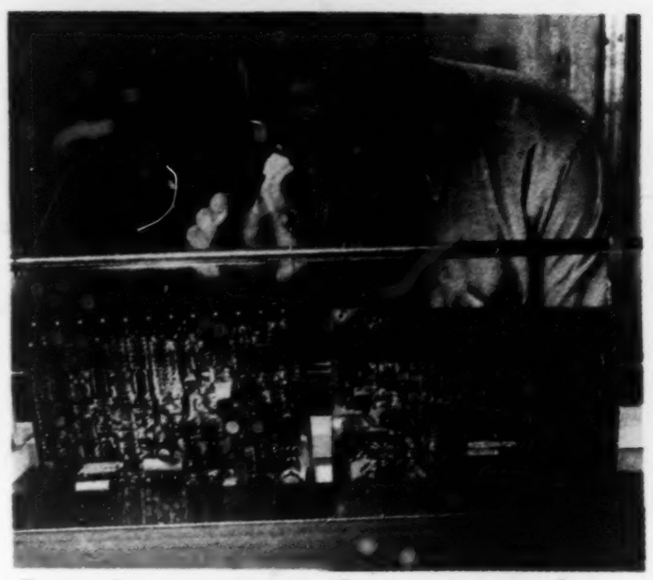
7 Editor's Page
72 People & Companies
66 Company Index
66 Advertisers' Index



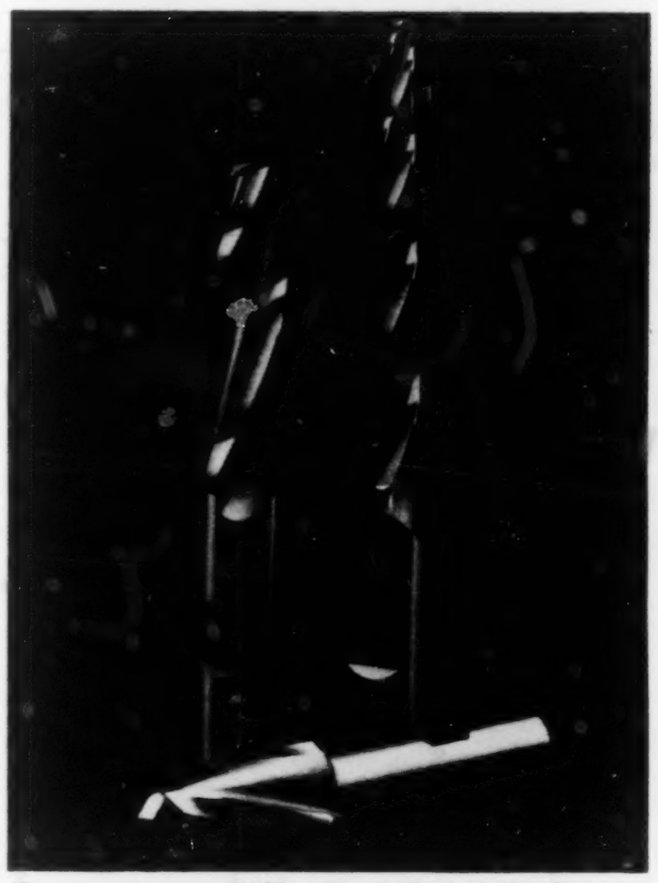
WHAT RECESSION?

Distributors name their most serious concerns in '91

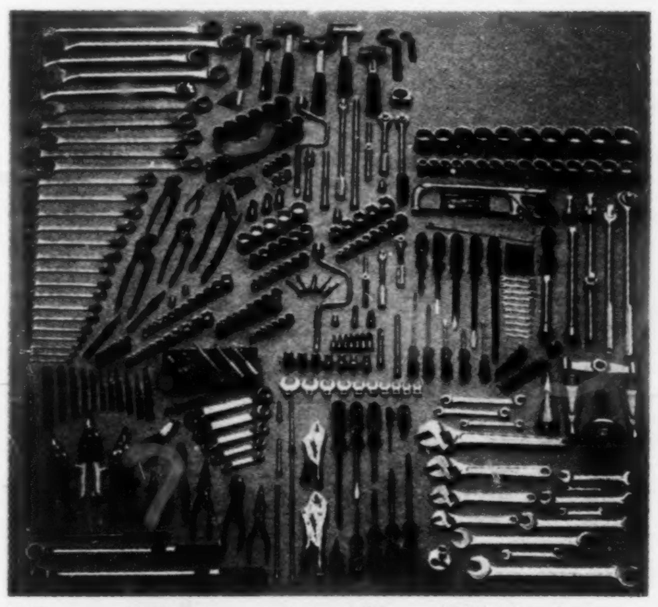
Source: American Machine Tool Distributors Assn.



Loctite researches uses for silicone adhesives—p. 72.



Sossner mills with triple-flute tapers—p. 12.



MegaMaster's the Wright set—with cabinet—p. 30

From hot melts to wheels, spec sheets keep you informed—p. 54

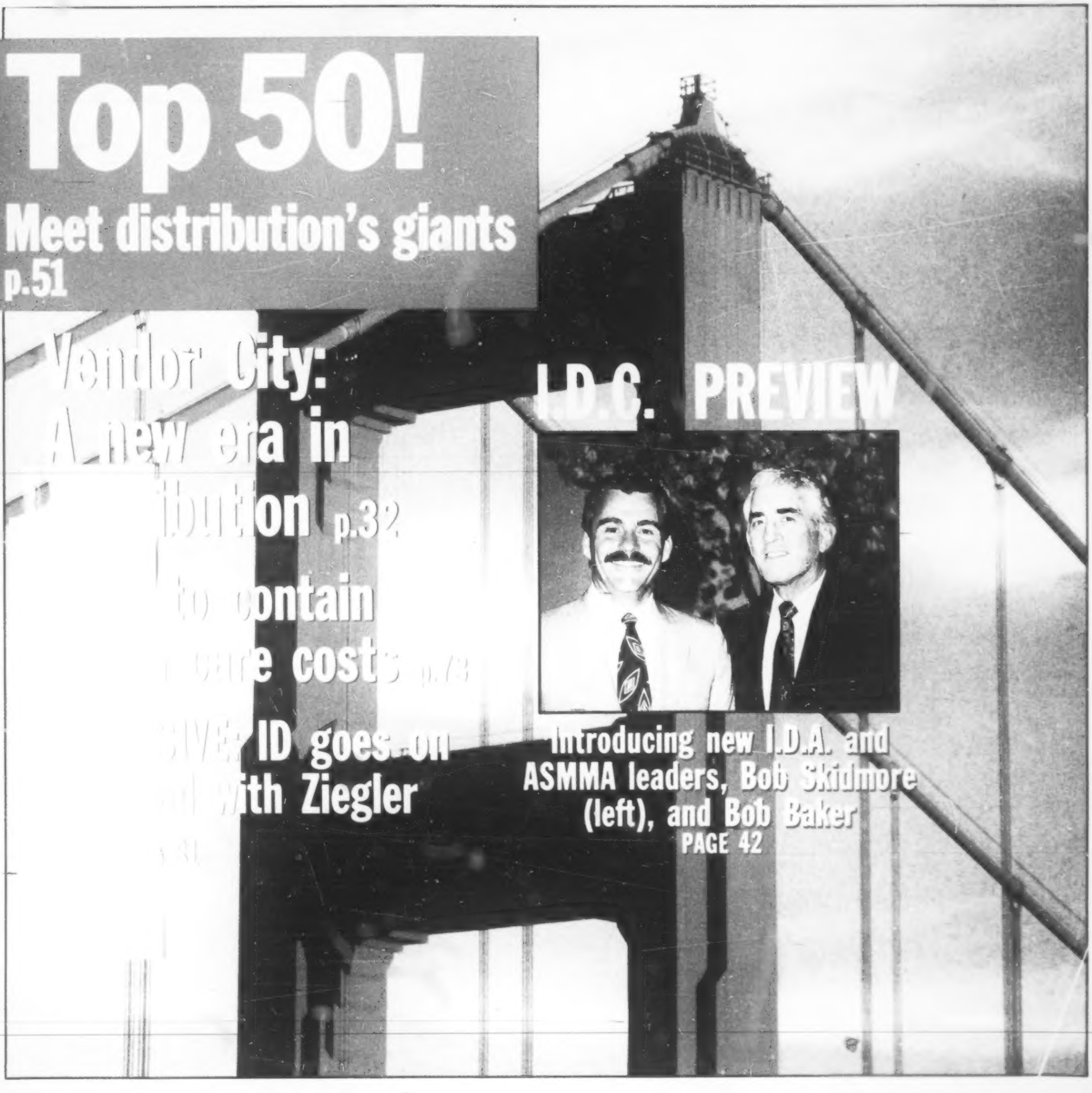
MAY
1991

A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

PROFILE
The jury's still out on buying groups p.45



Top 50!

Meet distribution's giants p.51

Vendor City: A new era in [illegible]ibution p.32

[illegible] to contain [illegible] care costs p.78

[illegible]SIVE: ID goes on [illegible] with Ziegler [illegible]

I.D.C. PREVIEW

Introducing new I.D.A. and ASMMA leaders, Bob Skidmore (left), and Bob Baker
PAGE 42

I.D.A./ASMMA seek a Golden Gate to customer relations—p. 42

Reachin' out and touchin'—distribution style—p. 89

To group buy or not to group buy? Still an open issue—p. 45

GO-1480

Product choices are clear, but the hose market's muddy—p. 93

A family affair gathers momentum in the Bay State—p. 69

MAY 1991

A CAHNERS PUBLICATION

VOL. 80, NO. 7

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

FEATURES

32 Welcome to Vendor City
Nine firms supply PPG in a unique partnership.

42 Quality takes center stage at the IDC
Distribution heads to San Francisco.

45 The jury's still out on buying groups
An update on the controversial issue.

51 Distribution's Top 50
Who are the industry's giants?

69 The Crosby show
Jayne Summers stars at the Kenneth Crosby Co.

73 Going...going...out of sight
Health care costs soar faster than major league salaries.

77 Hub Inc.: 100% dedicated to customer service
Ben Camp's strategy for growth.

81 A day in the life
On the road with Tom Huckaby, Ziegler Tools.

89 The telephone only rings twice
All customers come first at All Supplies.

93 Mixed signals for hose market
Slow, steady growth for hose and accessories.

99 Herlitz on buying
Inventory management is key to success in the 90s.

MANAGEMENT

9 Editorial
A new look at ID.

103 Pacesetters
Charles Morrow, L.S. Starrett Co.

149 Business Report
Economic rebound is at hand.

150 Clifton's View
U.S./Canada free trade scoreboard.

SALES & MISC.

105 Strictly for Sales
Write that marketing plan.

145 Business Staff

146 Classified Marketplace

134 Distribution Mart

DISTRIBUTOR'S UPDATE

5 At Press Time
Voi-Shan settles with U.S.

11 News
Strong second half; Study shows EDI, barcoding use will rise; Cincy Milacron buys SL Abrasives

107 Association News

109 Calendar

PROFITABLE IDEAS

111 Computers
Advances give you data to compete.

113 Profit Makers

139 Sales Aids

Distributors expect a strong second half

The post-war scenario calls for an upbeat '92.

Kuwait has been liberated. The troops are coming home. Young couples looking to buy their first house are swarming over real estate offices. And automobile dealers report strong traffic for the first time in several months.

This must mean the industrial market is turning around too? It is, says Cahners Economics, but not as fast as many industrial distributors would like.

Cahners Economics predicts that the recent upswing in consumer confidence will spark an expansion in the industrial sector. But Cahners economist Paul Waters warns that distributors won't see tangible evidence of the upturn until the beginning of the 3rd quarter (see charts).

"Given the magnitude of the downturn since last October, it's unlikely that the recent boost in the consumer sector is enough to send the industrial economy back into an expansion just yet," Waters says. "With consumer confidence up, the rebound later this year will be stronger than if the Persian Gulf War had dragged on for several months."

G. Cheston Carey reports strong quoting activity and expects an economic rebound later this year.

In interviews with nearly a dozen distributors, ID learned that except for unusual pockets like the Midwest and Pacific Northwest, industrial distributors are waiting patiently for the recession to end, and are "cautiously optimistic" about an economic recovery later this year.

In the recession-torn Northeast, G. Cheston Carey, president of Carey Machinery & Supply Co. in Baltimore, Md., reports sluggish activity thus far in 1991.

"Our salespeople are out there quoting on a lot of business, and the phones are busy, but I haven't seen the pick-up everybody's been talking about," Carey says. "While I don't have any great insight into what the future will bring, the recent upswing on the consumer side gives me hope that the second half of '91 will be much stronger for us."

Deeper into the Northeast, Andy Bamber, president of Bamber Tool Supplies in North Haven, Conn., agrees with Carey, but says he hasn't seen the strong quoting activity Carey reports.

"There's a lot of pessimism out there in the marketplace right now," Bamber says. "Major players in my state like Pratt & Whitney have announced at least two more rounds of layoffs for this year. While I'm not exactly sure how it will happen, I expect that this poor economic situation will correct itself later this year."

In the South, Bill Vann, Chairman of Young & Vann in Birmingham, Ala., says that the economy in his trade area is still soft.

Notes Vann, "What I've seen since the end of the war is more of a change in attitude as opposed to any real upswing in orders. "The only thing we can do is keep our costs and inventory under control, and fine tune our business through the quality process. I think when business turns around, the companies that have made the commitment to quality are going to be the players."

Herb Haggard, president of Haggard & Stocking Assoc. in Indian-

[*Continued on p. 12*]

EDI, bar coding top list for the '90s

CHICAGO—Distributors will implement electronic data interchange (EDI) and bar coding at a rapid-fire rate during this decade, according to a recent study by the consulting group Arthur Andersen.

The study, entitled *The Technology Maze in Wholesale Distribution*, was compiled by Arthur Andersen on behalf of the NAW's Distribution Research and Education Foundation. Data from the study is based on interviews with more than 470 distributors.

The report, which is essentially a follow-up to the landmark 1987 Arthur Andersen report, *Facing the Forces of Change*, makes some startling predictions.

For starters, the study says that EDI use will rise from 39% in 1991 to 85% in the next few years (see chart). It also predicts that usage by distributors of bar coding and scanning equipment will rise from a mere 15% today to a sizzling 81% within three years.

Gary Buffington, executive vice

[*Continued on p. 12*]

Armstrong's Tom Sawyer to retire

CHICAGO—After 44 years with Armstrong Bros. Tool Co., Tom Sawyer, the company's vice president, sales, says he is retiring at the end of 1991.

Sawyer's career with Armstrong Bros. Tool Co. started in 1947, when he took a job as the firm's Philadelphia sales representative. Ten years later, Sawyer was named Armstrong's Eastern regional sales manager.

In 1959, Sawyer was moved to company headquarters in Chicago to become the firm's national sales manager. He was named vice president, sales, a few years after that.

Sawyer graduated from Amherst College in 1943 with a business degree. He served as a Lieutenant on a PT boat in the South Pacific. Sawyer will be succeeded by R. Anderson Klemmt, to date, a regional sales manager. ID

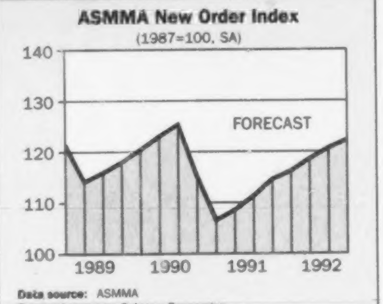
[Strong second half]

WITH MAJOR END USERS EXPECTED TO REBOUND NEXT YEAR...

	1990	*(f) 1991	(%chg.) 1992
Domestic auto production	-10.9	-2.0	2.8
Aircraft and parts	3.9	1.9	2.2
Petroleum	2.1	0.3	3.0
Pulp & paper	2.0	0.7	3.5
Chemicals	1.6	1.3	3.3
Plastic processing	1.1	1.0	5.3
Nonelectrical machines	3.8	1.2	4.4
Food processing	2.0	1.8	2.8

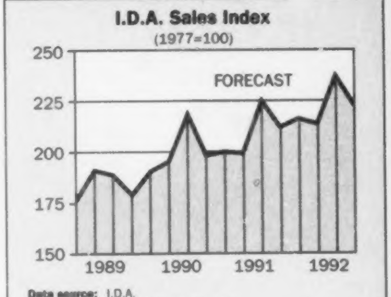
Data source: MVMA, Federal Reserve Board
***(f)= Forecast source:** Cahners Economics

INDUSTRIAL MANUFACTURERS ARE PRIMED FOR A STRONG 1992...



Data source: ASMMA
Forecast source: Cahners Economics

AS ARE INDUSTRIAL DISTRIBUTORS.



Data source: I.D.A.
Forecast source: Cahners Economics

apolis, Ind., says that Vann is "right on the money."

"During the past few years, we've worked to position ourselves as a value added house," Haggard says. "What we've found in the recession is that the price-oriented firms don't have the resources to compete."

Haggard predicts a strong second half of '91 and an even stronger 1992, led primarily by the automotive and aerospace industries. While sales at Haggard & Stocking were down 15% overall for the fiscal year ending June 30, Haggard expects to make up the difference, plus another 10% during the year ahead.

Another industrial distributor who is as upbeat as Haggard is Gordon "Bud" Pritchard of Morse Industrial Supply in Bellingham, Wash. "Our business hasn't skipped a beat, both through the Persian Gulf war and the recent recession," Pritchard says. "The refineries and aerospace industry have kept us very busy this year."

As for the rest of the country, Tom Reid, vice president/general manager at Briggs-Weaver, says that the Houston area and the Gulf Coast have been strong, but most of the activity in Briggs-Weaver's sales territory has been fairly soft.

"We haven't seen a big increase yet," Reid says. "But I expect the situation to change later this year, particularly when some of the big contractors gear up for the reconstruction work in the Middle East."

The same cautious attitude held sway on the West Coast, as Joe Scheid, president of Scheid Industrial Supply in San Francisco, notes that economic activity in the Bay Area is "still spotty."

"I expect things to pick up," he says. "In this environment, you've got to reduce expenses, otherwise the smaller distributor won't be able to compete."—*By Steve Zurier* ID

[EDI, bar coding]

president of the Industrial Distribution Assn. (I.D.A.), agrees with Arthur Andersen that EDI is a priority item for industrial distributors.

"EDI is a readily available technology, Buffington says. "We've recommended that distributors use EDI for several years now."

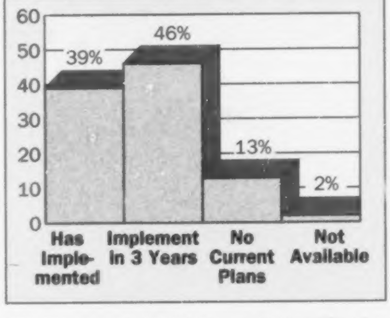
And the survey's results demonstrate that distributors have been listening to Buffington and his colleagues at the other industry trade groups. According to Arthur Andersen's study, more than 6,000 companies in the U.S. currently use EDI in some capacity. Expectations are for that figure to double over the next few years.

The report concludes that EDI is a natural for the industry because of the wholesaler-distributor's central position in the pipeline, as well as the many applications of EDI. Such applications include ordering, price notification, checking inventory levels, freight rate verification, payment, and cash management.

If EDI is a hot topic in 1991, bar coding is next on the laundry list for distributors. Pioneered by retailers in the early 1970's, bar coding has become an increasingly useful tool in the distribution industry.

Used primarily to code item or part numbers in inventory situations, study participants predict strong growth in the future. In fact, only 16% of the panelists say they have no current plans to implement bar coding.

EDI'S ON THE MOVE



EDI use among distributors will skyrocket in the next three years, says Arthur Andersen.

The study is available through the NAW, 1725 K Street, N.W., Suite 710, Washington, D.C. 20006. The study costs $90 for direct members, $120 for commodity-line members and $160 for non-members. Call Bobbi Woods at (202) 872-0885 for more information. ID

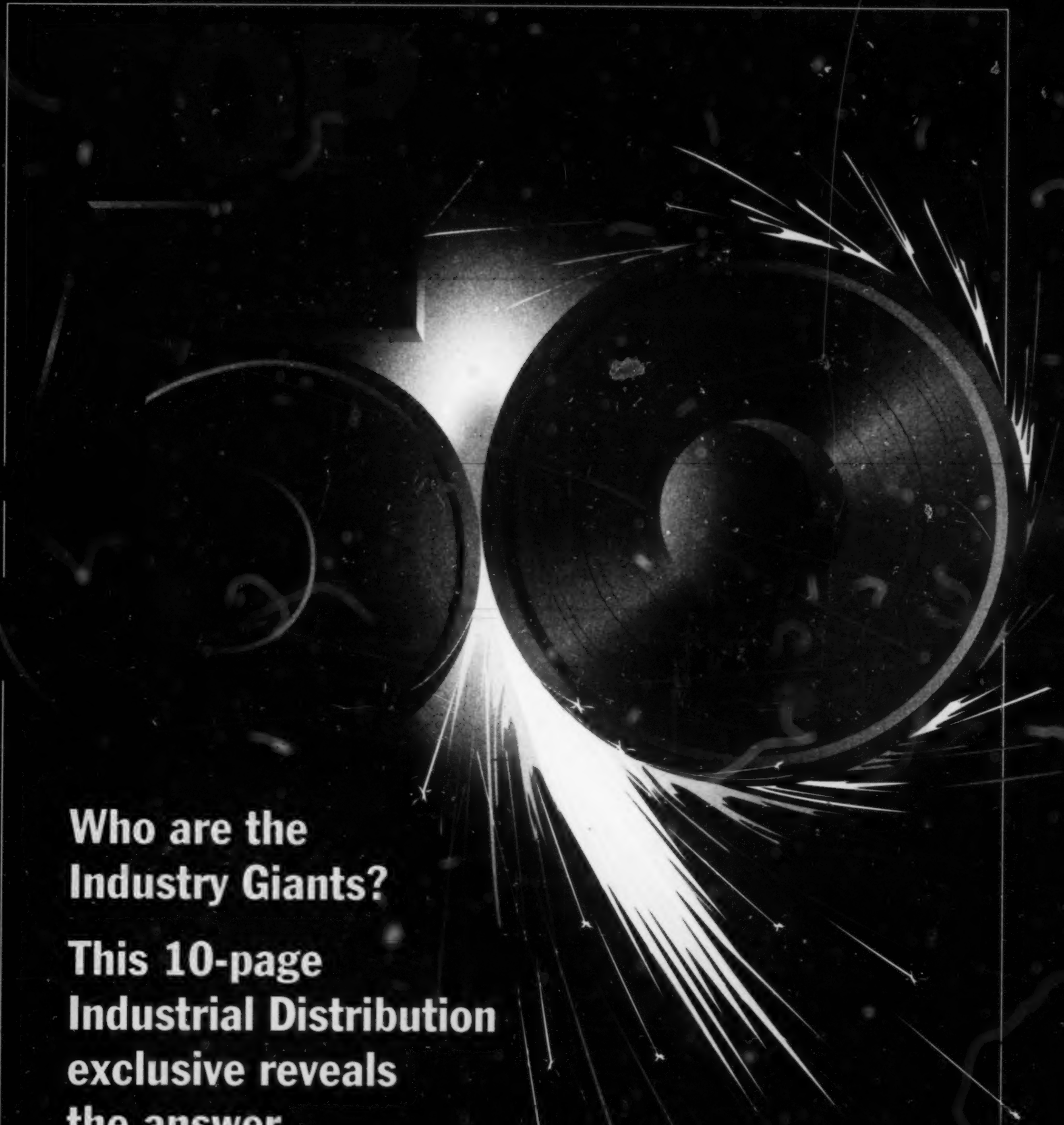
Arthur Andersen buys consulting firm

CHICAGO—Arthur Andersen has acquired Management Foresight, Inc. (MFI), a consulting firm noted in the distribution industry for publishing the Performance Analysis Report (PAR).

According to Arthur Andersen's Patrick W. Dolan, MFI generates ex-

[*Continued on p. 19*]

DISTRIBUTION'S



Who are the Industry Giants?

This 10-page Industrial Distribution exclusive reveals the answer.

Who's the biggest?

Rules of the Ranking

For years you've been asking: *Who's the biggest*? Well . . . after months of exhaustive research—conducted by an independent research firm—we're ready to tell you.

But, wait. Before we do, it's important that you keep the following points in mind. First, ID's ranking of the top 50 distributors in the U.S. and Canada is based solely upon individual sales volume. Unlike the ranking we published in 1987 which gave you the "Top 75 Distributors" according to supplier input, this ranking takes into consideration each firm's size according to its reported annual sales. In cases—and there were quite a few—where distributors were not willing to provide sales figures—we implemented a special formula to estimate sales for placement in the ranking. In these cases, you will find "est." indicated beside the figure to signify that it is not exact according to an authorized company official, but rather estimated in correspondence with our formula. Please note, too, that in cases where two companies report the same annual sales figure, they are ranked one before the other according to alphabetical order.

Secondly, because *Distribution's Top 50* is a ranking of size and sales volume, it should not serve to indicate that a company is better than another for any reason. We'll be the first to admit that hundreds of companies—maybe yours—are significantly smaller than the companies listed in this feature. And, in many cases, those companies may be managed as well, if not better than the distributorships you'll find listed here. (We'll be running a story on smaller distributorships in a coming issue.)

In reviewing our listing of the Top 50, you may notice that a few known industry giants—such as McMaster Carr, J & L Industrial, and Lab Safety Supply—have been omitted from the ranking. This was done purposefully, and the reasoning is simple. These houses are primarily mail order operations and thus vary sharply from the mainstream distributors we profile. In order to give our benchmark distributors the attention they deserve, we have left the mail order operations out.

Also keep in mind that several other more mainstream distributors which would normally have been included in the ranking have been omitted by request. For various reasons, several company officials preferred exclusion from the list. For example, one Northeastern distributor we talked to refused to be part of the ranking because sales would be published. If you should find that a particular distributor is missing, that is undoubtedly one of the reasons why.

At ID, we have done our best to develop a comprehensive ranking of *Distribution's Top 50*. After consulting association heads and other industry "gurus," and upon completion of our extensive research, we are confident that our ranking is complete and accurate. Each short profile is designed to offer spirited insights, boasting at least one quote from someone "in the know." And three lengthy features provide "up-close and personal" views of a few firms we think are special. Although you may not find your own company listed in *Distribution's Top 50*, we know you'll learn something about those companies that "made it." And, who knows . . . maybe next year!

1. W.W. Grainger
2. Bearings, Inc.
3. Motion Industries
4. McJunkin Corp.
5. Guillevin International, Inc.
6. Kaman Industrial Technologies Corp.
7. Acklands Ltd.
8. Cameron & Barkley Co.
9. Berry Bearing Company, Inc.
10. Fairmont Supply Co.
11. Briggs-Weaver, Inc.
12. Invetech Co.
13. Lawson Products, Inc.
14. Bowman Distribution
15. The Gage Co.
16. Safety Supply America Corp.
17. Doall Co.
18. Noland Co.
19. Vallen Co.
20. MSC Industrial Supply/ Sid Tool Co.
21. IBT, Inc.
22. J.N. Fauver Co.
23. Garrett Industrial Supply
24. Wallace Co., Inc.
25. Hub, Inc.
26. Dillon Supply Co.
27. Canadian Bearings Ltd.
28. R.S. Hughes Co.
29. Service Supply Corp.
30. John Wagner Assoc. (Grabber)
31. Texas Mill Supply Co.
32. Carlson Systems
33. Precision Bearing, Inc.
34. Rawson & Co., Inc.
35. Alamo Iron Works
36. Goodall Rubber Co.
37. Moody/Price Corp.
38. Cardinal Supply Co.
39. AC Supply Co.
40. Brake Supply Co.
41. Neill LaVielle Co.
42. Womack Machine Supply Co.
43. Strong Tool Co.
44. Drago Supply Co.
45. Wainbee Ltd.
46. James McGraw Inc.
47. Apache Hose and Belting, Inc.
48. Senco of Florida, Inc.
49. Ziegler Tools Inc.
50. Harbor Tool Supply Co.

1. W.W. Grainger

■ Skokie, IL

Wiley Caldwell, CEO

1990 Sales: $2 Billion

Branches: 322 **Employees:** 8,000

Distribution's Top 50 distributor should come as no surprise. General-line giant, W.W. Grainger, is far and away the winner. Catering to commercial and industrial contractors through a network of 324 branches and counting puts Grainger on top. And, according to Caldwell, quality will be the impetus to keep it there. "We will place an increased emphasis on quality as it relates to management, empowerment and training," he says. "Training is the most critical component because it puts employees in the position to do things right the first time."

2. Bearings, Inc.

■ Cleveland, OH

George L. LaMore, CEO

1990 Sales: $651 million

Branches: 345 **Employees:** 4,000

Thanks to the June 1990 acquisition of Corona Calif.-based King Bearing, Bearings, Inc. is on top of the industry. Boasting sales of $651 million in their own right, coupled with the West Coast distributor's $200 million, it's no wonder. The acquisition not only improved Bearings, Inc.'s profit potential, but expanded its market to include bearings, fluid power, and industrial belting, as well as bearings. Founded in 1923, company spokesman Richard Shaw reports that its Quality Assurance Distribution program promises nothing but future prosperity. He says, "Our goal is error free, on-time transactions and shipments."

3. Motion Industries

■ Birmingham, AL

Michael S. Gaffney, CEO

1990 Sales: $635 million

Branches: 196 **Employees:** 2,600

Motion Industries is in motion. There's no doubt about it. Having opened 37 branches in the past two years with expectations for starting at least 12 more in the coming years, growth is the name of the game. Gaffney says this about the power transmission, fluid power, and bearings power house, "We have an insatiable appetite for growth. While everyone else is cutting back, we're adding." A strong, well-trained work force is the catalyst for that growth, according to Gaffney. And, it must be working. Motion was recently selected by General Motors as an exclusive supplier to their coveted Saturn facility.

4. McJunkin Corporation

■ Charlestown, WV

Henry B. Wehrle, Jr., Chairman

1990 Sales: $550 million

Branches: 55 **Employees:** 1200

Although its investment in general line items is considerable, this privately held distributor's major focus is on industrial PVF and electrical. McJunkin credits its success to each branch's ability to tap into large, fully stocked shares of an $80 million-plus inventory. Stocking locations in 20 states are close to chemical, oil and gas, processing, and McJunkin's other major markets. The company's heavy emphasis on the "quality process" encompasses employees, suppliers and customers. It's in keeping with Henry Wehrle's earthy formula for growth: expand markets by providing more and better quality service.

5. Guillevin International, Inc.

■ Ville St. Laurent, Quebec CANADA

Jeanne Guillevin Wood, CEO

1990 Sales: $500 million

Branches: 120 **Employees:** 1,500

As one of the top distributors in Canada, Guillevin International, Inc. has a lot of staying power. "Consolidation started in Canada long before it hit the U.S.," says president and chief operating officer, Ken Philp. To what does he attribute Guillevin's longevity and success? "Our biggest strength is our broad offering of quality products," he says. Serving the commercial electrical market, institutions, and industrial users, 85-year-old Guillevin sells electric and industrial supplies, as well as safety, security and automation products.

6. Kaman Industrial Technologies Corp.

■ Bloomfield, CT

Richard K. Moynihan, President

1990 Sales: $420 million

Branches: 155 **Employees:** 1,300

"At Kaman, we like to think of ourselves as factory doctors—working side-by-side with customers to solve their application problems," explains Moynihan. Serving the pulp and paper, mining, food processing, agriculture, primary metal and automotive industries in the U.S. and western Canada, the 20-year-old firm is well on its way. More than 1,300 employees at 155 branches fulfill the company's mission daily: to help customers become more productive, more competitive, and more profitable by putting technology to work for them.

7. Acklands Limited

■ Saskatoon, CANADA
Rai Sahi, CEO
1990 Sales: $350 million
Branches: 200 **Employees:** 2,600

From its perch at the top of distribution in Canada, Acklands Ltd. views a consolidated market. But, no fear, its own share of the manufacturing and natural resource industries is growing by the day. With a vast product line of automotive and welding supplies, as well as industrial hardware and water pumps, the distributor is bound to remain high on our list for a long time to come. What's Acklands' secret? According to director of purchasing for the industrial and body shop divisions, Bob Cushnaghan, "It's not the fancy computers or even our quality products—it's our people."

8. Cameron & Barkley Company

■ Charleston, SC
Rufus C. Barkley, Jr., CEO
1990 Sales: $350 million
Branches: 70 **Employees:** 1,400

For 126 years, Cameron & Barkley has been a force in the distribution industry. Selling electrical, electronic, and industrial supplies to construction and manufacturing markets, the company has clearly made a name—and a profit—for itself. Seventy branches in eight states and more than 1,400 employees who jointly own the company characterize this general-line giant. And, according to company president, Jim Warren, that ownership structure is critical. "The key to a successful future lies in meeting or exceeding our customer's needs and expectations. Our employee-owners are committed to that."

9. Berry Bearing Co., Inc.

■ Lyons, IL
Gardner Larned, President
1990 Sales: $342 million
Branches: 90 **Employees:** 1,350

The largest distributor to steel mills in the country, Berry Bearings Co., is growing larger by the day. Ninety branches of this bearings and power transmission giant cater to 15 states from New Jersey to Montana—and more are on the way. "We'll expand by opening branches, not through acquisition," notes Larned. The company's staff is key to Berry's successful growth. "We promote from within. Coming in through the 'back door' gives our people the kind of broad experience they need to offer our customers the service they deserve."

10. Fairmont Supply Company

■ Washington, PA
W.T. Todd II, President
1990 Sales: $277 million
Branches: 25 **Employees:** 694

As the pioneers of DuPont's integrated supply system, Fairmont Supply is clearly a forerunner in the industry. Likewise, the company has some futuristic philosophies about distribution. "Distribution is not just selling products anymore. It's evolving to helping the customer control materials management costs through procurement and direct delivery," purports Todd. The general line house, started in 1921, is doing just that in 36 out of 50 states.

11. Briggs-Weaver, Inc.

■ Dallas, TX
Rob C. Mellor, President & CEO
1990 Sales: $220 million
Branches: 35 **Employees:** 820

Can you spell Mississippi? Briggs-Weaver, Inc. can. The general-line distributor with interests in Texas, Oklahoma, Arkansas, Louisiana and Alabama has just branched into Mississippi—targeting everything from the aerospace to utilities industries. And, it seems, future expansion is in the plans for this 95-year-old firm. "Our goal is to grow the business and increase profits," says Thomas Reid, vice president and general manager of the company's Supply Division. "The quality process is our main strategy and our thrust for the future."

12. Invetech Company

■ Detroit, MI
J. Michael Moore, Chairman & CEO
1990 Sales: $200 million +
Branches: 90 **Employees:** 1000

This privately held, 75-year-old bearing and PT distributor is in 18 states from the East Coast to Colorado. Its $50-million inventory of nearly 160,000 instock line items represents some 300 suppliers—and growing thanks to Invetech's committment to the customer. Thirty service mechanics and half-dozen applied engineers are symbols, notes Moore, "of how we focus on real customer needs," including designing, repair and customizing. Further, an amazing $500,000 of Invetech's budget is dedicated "to teaching quality to everyone from truck drivers to the president," says Moore.

13. Lawson Products Inc.

■ Des Plaines, IL
Peter G. Smith, President & COO
1990 Sales: $177.3 million
Branches: 6 **Employees:** 680

With sales exclusively through independent reps, and 95% of its $12.5 million inventory sold under the private Lawson label, this publicly held distributor of maintenance items boasts a loyal following of some 185,000 customers. Up to 93% of the products from 700 suppliers must comply to Lawson specs established and overseen by its quality engineering group. Up to 99% of deliveries are right out of stock. "We're not feeling the downturn," says Smith. "Maintenance is higher during a recession."

14. Bowman Distribution

■ Cleveland, OH
John M. Knapp, Executive V.P.
1990 Sales: $167 million
Branches: 8 locations,
8 customer service centers
Employees: 750

"Our job is to make our customers as efficient as they possibly can be by getting the right product to the right place in the right time," asserts Knapp. The company's unique JIT system and its quality and safety focus are the key components that enable this general-line house to do that job. As for the future? More of the same. "Our leadership in the future will hinge on quality," predicts Knapp.

15. The Gage Company

■ Pittsburgh, PA
Lloyd H. Morgan, President
1990 Sales: $150 million
Branches: 32 **Employees:** 510

This combination house—industrial and wholesale plumbing—boasts locations in eight states within key Midwest and eastern markets as well as a widely diversified, $30 million inventory. In the past 10 years, the acquisition-bent company has added some 18 locations—most recently the Westco plumbing and heating chain. "We'll continue to look for growth opportunities," mainly, says Morgan, by acquisition. Century-old Gage also prides itself on a tenure record symbolized by its well-populated 40-Year Club and Morgan's 36 years with Gage.

16. Doall Company
Des Plaines, IL

Michael Wilkie, President & Chairman

1990 Sales: $145 million

Branches: 75 **Employees:** 725

70-year-old Doall has branches in Canada, Europe and as far away as Australia. Originally a manufacturer of bandsaws, the company is in full-line distribution with a stellar reputation as a source of precision measuring and cutting tools, bandsaws, and turnkey installation of complete shops. Around 10% of its income is from systems contracts. Plans for the future call for growth through acquisitions and Doall is well on its way, having acquired four distributors in 1989. "Our mission statement, which includes supplying quality products and superior value-added benefits, says it all," says Wilkie.

17. Noland Company
Newport, VA

Lloyd U. Noland, III, Chairman & CEO

1990 Sales: $116.9 million

Branches: 92 **Employees:** 1,900

Noland Company's operation is carefully categorized under four divisions: Plumbing and heating, air conditioning, electrical and industrial. The combination of all four brings total sales for the 76-year-old house to $454 million. But, for the purposes of our ranking, we only tallied the final two components. Catering to the utility, construction, and manufacturing industries, these two divisions alone were enough to put Noland high on our list. And, this is just the start, according to Noland III. "The industrial department continues to offer us perhaps the greatest potential for increased sales in the decade of the 90's," he says.

18. Vallen Corporation
Houston, TX

J.M. Wayne Code, President & CEO

1990 Sales: $105 million

Branches: 35 **Employees:** 427

With mounting national concern for safety and liability, this publicly held distributor successfully treads the line via a $17-million inventory of some 10,000 approved safety products and a $200,000-plus annual training program. Vallen's broad-based approach to sales includes in-plant safety stores, repair services, an EDI network currently numbering 30 customers, and 120 inside and outside salespersons scattered through 35 branches. "We're going to continue to expand our presence," says Code, citing recent expansions into other states, including Alaska.

19. MSC Industrial Supply/ Sid Tool Co.
Plainview, NY

Mitchell Jacobson, President

1990 Sales: $100 million +

Branches: 20 **Employees:** 500 +

This aggressive, East Coast distributor is a 10-state, 20-branch, money machine boasting 25% growth in the last five years. An ex-master distributor, MSC'S passion for quality ranges from its roster of blue chip suppliers for 75,000 catalog items, overnight delivery and 97% customer service level, to in-house QC, and training programs with a performance manager and two trainers. Says Jacobson, "Our formula is simple. We're going to continue to provide our customers with ever-increasing value at ever-decreasing cost."

20. IBT, Inc.
Shawnee Mission, KS

Stephen R. Cloud, CEO & President

1990 Sales: $95 million

Branches: 40 **Employees:** 456

This privately held bearing and PT specialist, founded in 1949, is state-of-the-art in motivation and service. It has 40 branches in 10 Midwest states and an inventory valued at $23 million. IBT strong-points includes 20 trainers, five marketing specialists, the IBT Training Academy, two video studios, and 200 inside and 140 outside salespeople. The sales forecast for 1991 is $107 million. Says Cloud, "We're qualified and ready when customers reduce vendor lists and manufacturers opt for selective distribution."

21. J.N. Fauver Company
Madison Heights, MI

Frank J. Brayton, President

1990 Sales: $95 million (est.)

Branches: 15 **Employees:** 320

This multi-specialized distributor has diversified from fluid power into industrial filtration, automation, electrical and lubrication. Its 15 branches, eight sales offices and six authorized service centers in 14 mainly midwestern states, service and supply markets ranging from mobile industrial, construction and agricultural equipment, to machine tools and food processing. About half of Fauver's business comes from engineering and engineering-generated orders. Says Brayton, "As customers cut back, we assume more responsibility and make a greater impact in the marketplace."

22. Garrett Industrial Supply
Los Angeles, CA

Darryl Dillenback, President

1990 Sales: $90 million

Branches: 13 **Employees:** 325

Garrett Industrial-Supply, one of distribution's revered companies, was purchased by cutting tool maker Kennametal Inc. in June 1989. Since that time, Garrett has moved forward on its plan of becoming a national distributorship. Dillenback says that management's target is to become a 35-branch operation with four regional hubs and $450 million in sales by 1996. "You can look for us to continue to be very aggressive in the years ahead," Dillenback predicts. "There's no question that we'll be making more acquisitions."

23. Wallace Company, Inc.
Houston, TX

John Wallace, CEO

1990 Sales: $90 million

Branches: 10 **Employees:** 280

1990 winner of the Malcolm Baldrige National Quality Award, Wallace Company is a growing symbol of distribution's commitment to quality. And, it's that commitment that's pushed the 49-year-old pipe, valves and fittings specialist into our Top 50. From near bankruptcy, John Wallace pushed the distributorship into the national spotlight and into the black. The Gulf Coast petrochemical and chemical and refining industries are reaping the rewards—but the sky's the limit. "National and international opportunities are opening for Wallace Co., and we're positioned to take advantage of them," remarks Wallace.

24. Hub, Inc.
Atlanta, GA

Barry S. Camp, President, Industrial Div.

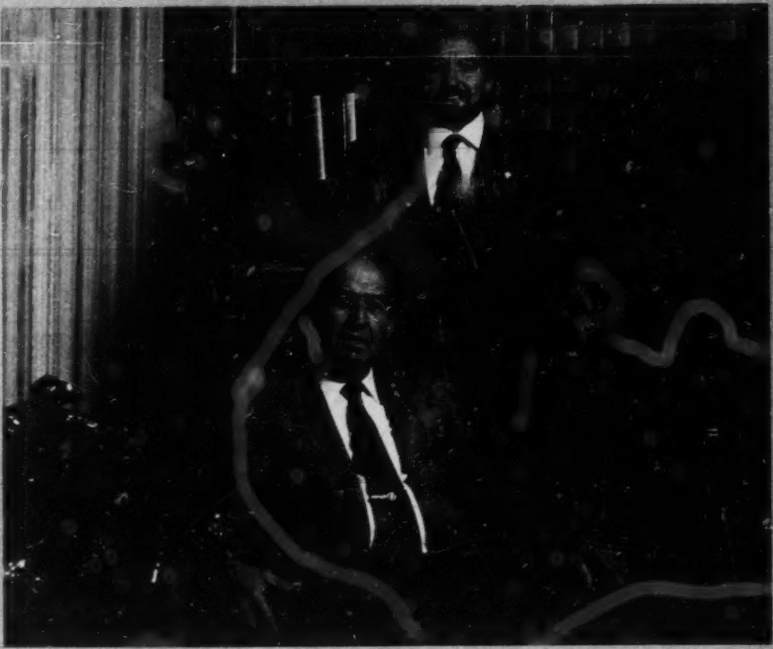
1990 Sales: $85 million

Branches: 18 **Employees:** 366

This quarter-century-old, privately held PVF company boasts 18 branches in the lower southeastern states, but the number is growing. A $15 million inventory and a 20%-25% five-year annual growth is in full-swing thanks to an ambitious branching and acquisition program as well as diversified lines. Growth in 1991 is pegged at 10%, says Camp. "We work with customers day-to-day, both of us looking for ways to cut costs." Up to 14% of the business is from customizing and assembling. A new niche marketing program consists of two-man satellite branches with limited stocks, mainly to serve special customer needs.

Precision expands by leaps and bounds

Growth and change lead bearings house into the big time.



Dennis Circo and his father, Sebastian, oversee Precision Bearing's expansion mode.

"We absolutely refuse to participate in the recession," says Dennis Circo, president and chief executive officer of Precision Bearing Co.

He's not kidding. In the last five years, the Omaha-based PT and bearings distributor has experienced a 300% growth spurt. The family-owned company has increased sales from $18 to $65 million in the same time period. And Precision has also jumped from 15 distribution centers to 28 in order to serve 22 states and Mexico.

For Precision, growth and expansion is a way of life and a way of business. And, it's no fluke. According to Circo, growth and change have always been top priorities for the distributorship, launched in 1945 by his father, Sebastian. And, as far as they're concerned the two go hand in hand. "You can't expect to grow if you don't implement changes at the same time. The system will fall apart," Circo asserts.

Perhaps that's why Precision places so much importance on its own systems. One such system is communication. Developed by Precision's own software company in Florida, the communication program is the first data/communication network of its kind in the industry. Known as Enterprise, the system connects all branches on-line with a completely private digital fiber-optic network to voice and data communication. According to Circo, Enterprise provides direct interfacing with major suppliers, system-wide inventory information, customer-direct order entry, and more. "It doesn't allow for error," says Circo. "And, the system gives no option for doing it wrong."

The desire to thwart costly errors is all part of another system for Precision—the quality program. Having implemented Texas A & M University's quality process just over a year ago, Precision is right on-line with the industry-wide quality push. "With the growing number of requirements from manufacturers," says Circo. "You can't elect not to institute quality. It's an issue of survival." In an effort to keep in step with the growing number of quality requirements from its manufacturing end-users, Precision has developed a quality statement and made a costly commitment to quality training. "75% of our associates (employees) have participated in quality seminars," notes Circo proudly.

Key components

In addition to the carefully orchestrated systems, Circo attributes the vast portion of his company's successful expansion to three factors. The first, he points out, is geographical expansion. The company's ability to grow into new areas under the guise of systems contracts enables Precision to fight for market share. "We grow for ourselves and to serve our major end users," says Circo.

The second component in Precision's success is the addition of new divisions. The Liquid Handling and Materials Handling Groups are two new divisions. Explains Circo, "It's a total service concept."

Finally, Circo sites acquisitions as the third reason for Precision's prosperity. In recent years, the company made three transactions for a total of five new distribution centers. And plans for the future include three to four more acquisitions over the next few years.

Precision Bearing's confident attitude and aggressive approach will undoubtedly keep it out of the recession as its proud president claims. And, at this rate, you just may find Precision at the top of ID's top 50 before you can say "power transmission."

25. Dillon Supply Company

Raleigh, NC

R.L. McCann, President

1990 Sales: $80 million

Branches: 16 **Employees:** 400

Founded in 1914, French-owned Dillon reinforces its marketing of general-line industrial supplies with separate divisions covering steel, power transmission, and materials handling. Daily deliveries from heavy inventories are made by Dillon's own trucks in North and South Carolina, Tennessee, Kentucky and Virginia. However, buying and distribution is centralized in Raleigh. The system is unique, but, notes R.L. McCann, "One-stop shopping, extensive systems contracts business, and advanced computer control is what sets Dillon apart from its competitors."

26. Canadian Bearings Limited

Mississauga, Ontario, CANADA

Farrokh Khalili, President

1990 Sales: $75 million

Branches: 33 **Employees:** 300

Concentrating on bearings, belting, power transmission, motion control and fluid power, Canadian Bearings has been expanding gradually since its founding in 1947. Canadian's emphasis on electronic advancement is largely responsible for that growth. At the forefront of EDI technology, Canadian Bearings offers the benefit as part of its systems contracts, often going so far as to help customers get on-line. And the future? Says Joe Cassar, product manager, "Always bearing in mind our product specialties, acquisition is our main strategy for growth."

27. R.S. Hughes Company

San Jose, CA

R.S. McCollum, President

1990 Sales: $75 million

Branches: 26 **Employees:** 300

"If you don't listen to what your customers and suppliers are telling you, you are in trouble in this business," says Robert McCollum. That standard philosophy has guided R.S. Hughes since 1955 on the West Coast and has led it into Chicago and Florida as well. Carrying a narrow product line of adhesives, tapes, coated abrasives, and safety supplies, R.S. Hughes operates lean in personnel. But, these factors, and "doing the usual things well," have contributed to the company's success, says McCollum.

28. Safety Supply America

Carson, CA

Alan H. Bennett, President

1990 Sales: $150 million (est.)

Branches: 36 **Employees:** 500

In 1987, Figgie International combined nine safety products distribution companies to form Safety Supply America. Now a division of Figgie, Safety Supply is the largest independent distributor of safety product in the world—and growing. Serving the automotive, aerospace, chemical processing, semiconductor production, and food processing industries, the firm has directed goals for the future. "We'll continue to add to our distribution base through an active program of acquisitions and internal expansion," says Bennett.

29. Service Supply Corp.

Indianapolis, IN

Mel Seitz, Jr., President

1990 Sales:$74 million

Branches: 41 **Employees:** 500

Since its founding in 1948, Service Supply has grown steadily under the philosophy of the current president's grandfather. "Carry heavy inventories. Plow profits into more inventory. Carry only top quality lines. And treat customers ethically." It seems to work, but service and value added also come into play. Service Supply carries 88,000 fastener items, 85% of which are shipped within 24 hours. And manufacturing, plating and repackaging are only some of the "distribution plus" services offered.

30. John Wagner Associates (Grabber)

Concord, CA

Richard Holmberg, CEO

1990 Sales: $70 million

Branches: 36 **Employees:** 380

Inventors of the what spokesman Steve Moss calls, "the drywall screw that works," Grabber has been specializing in drywall supplies for the construction industry since 1966. Now an international firm with a scope that stretches into Canada, the Middle East, and Europe—not to mention the U.S.—Grabber consistently maintains its reputation for innovation and quality. And that dedication is keeping them on top. "We're always doing something new and something better," maintains Moss.

31. Texas Mill Supply Companies

Galena Park, TX

Monte K. Legro, President

1990 Sales: $70 million

Branches: 9 **Employees:** 252

A full-line industrial supply distributor, Texas Mill Supply and its jointly owned partner, Louisiana Mill Supply, cover most of Texas and southern Louisiana from their Houston-area headquarters. Since beginning in 1965, the company has grown steadily under a three-pronged philosophy; treat all employees as unique individuals, strive for a partnering relationship with customers, and provide quality products and service. Under that philosophy, Legro notes, "All employees share in year-end bonuses based on total company performance and their individual efforts."

32. Carlson Systems

Omaha, NE

Don Carlson, President

1990 Sales: $65 million

Branches: 16, plus 22 "twigs"

Employees: 340

For the past 44 years, Carlson has concentrated on two basic businesses: fastening and packaging systems. But, it's not as cut and dried as it seems. Catering to a customer base of residential construction, packaging industries and lumber yards, Carlson Systems supplements its product line with aftermarket items and outstanding service. "We want to sell our machines and supplies for them, but our repair service—available at all our branches—is also very important to us," Carlson purports.

33. Precision Bearing Company

Omaha, NE

Dennis Circo, CEO

1990 Sales: $60 million

Branches: 28 **Employees:** 300

(See story p.57)

34. Rawson & Company, Inc.

Houston, TX

R.E. Moore, President

1990 Sales: $60 million

Branches: 14 **Employees:** 184

Rawson specializes in computers, instrumentation and controls for process industries, chiefly petrochemical. From a traditional base in the Texas Gulf Coast, Rawson has followed its customer base since 1988 to North Texas, Florida and Puerto Rico carrying an in-depth stock comprised of exclusive lines. And, says Moore, "Our latest growth has come by adding a line of computers with software to control instrumentation for petrochemical processes." A well-qualified sales force helps Rawson stay on top of even the most highly technical advances. Moore notes, "They are specially trained to apply our entire line on an integrated basis."

35. Alamo Iron Works

San Antonio, TX

Anthony Koch, Chairman of the Board

1990 Sales: $56 million

Branches: 8 **Employees:** 425

An established Texas institution since 1877, Alamo Iron Works covers all of Texas except Dallas and the panhandle. And, they do it well. In fact, Alamo delivers a broad line of industrial supplies from a substantial inventory in its own fleet of trucks. At Alamo, customer service is the watchword company philosophy, but it's reinforced with strong sellers: Alamo's own foundries, machine shop, and metals distribution. "Customer service is number one with us," says Koch. "In fact, our value-added operations customers frequently become industrial supply customers as well!"

36. Goodall Rubber Co.

Quaker Bridge, NJ

Torgny Astrom, President and CEO

1990 Sales: $50 million

Branches: 30 **Employees:** 300

"Goodall's objective is to be the most desired distributor of quality products in every area we service," says Astrom. And, it seems, the 120-year-old specialty house is well on its way. By tailoring inventories and product lines to target accounts in selected markets and introducing specialized training programs and product catalogs, Goodall has improved its ROA by more than 20% in 1990. Plans for achieving that goal in the future include expansion by acquisition and carefully enhancing the product line.

37. Moody/Price Corp.

Baton Rouge, LA

Dan Daniel, CEO

Annual Sales: $41 million

Branches: 7 **Employees:** 120

With a six-state territory that stretches from Louisiana and Mississippi to Alabama and Arkansas, as well as parts of Tennessee and Florida, Moody/Price services the pulp and paper, oil and gas, and utilities markets with a mix of pneumatic components, steam traps, control valves, and electronic instrumentation. Founded in 1955, the firm's chief suppliers include Parker Hannifin, Foxboro, Ametek, and MagneTrol.

38. Cardinal Supply

South Windsor, CT

Martin Perry, President

1990 Sales: $38 million

Branches: 7 **Employees:** 155

In line with what management sees as a "trend toward large regional distributorships," Cardinal Industries acquired Brian supply, Lindquist Supply, Industrial Supply of Syracuse, and Chase Parker & Woodis in October, 1990. Systems contracts are in place with General Electric, Texas Instruments, Raytheon, and other Fortune 500 manufacturers throughout the Northeast. At the time of its launch, Martin Perry, president, announced a target of $100 million in sales by 1992.

39. AC Supply Co.

Milwaukee, WI

Thomas Schuster, President & CEO

Annual Sales: $36 million

Branches: 14 **Employees:** 145

Gene Owens, chairman of AC Supply who has 45 years of PT experience, describes the distributor's educational role as one of keeping customers abreast of equipment operation and maintenance. "We're doing more customer education now," he says, than at any time since the firm was founded in 1942. Foundry, pulp and paper, and food processing buyers flock to AC Supply's one-on-one and group sessions. Keeping customers informed, Owens says, is a way of making them "totally aware of our capabilities."

40. Brake Supply Company

Evansville, IN

Thomas Ashby, President

1990 Sales: $35 million

Branches: 4 **Employees:** 210

This specialty house carves its own niche in the industry by concentrating on four product categories and four major market areas. Ashby says the 45-year-old company grew over the years by selling hydraulics, pneumatics, drive trains, and friction materials to the mining, construction, marine and fleet markets. As for the future, Ashby says Brake Supply will stay profitable by dedicating itself to quality service. He says Brake Supply will grow both through acquisition and branch expansion. Notes Ashby, "We feel that in order to survive, we have to become a $100 million-a-year house by the year 2000."

41. Neill LaVielle Co.

Louisville, KY

Robert Pfeiffer, CEO

1990 Sales: $35 million

Branches: 2 **Employees:** 150

"The information age has come to the forefront of distribution, and we now have to shift emphasis toward managing assets instead of being primarily top-line driven." Those are the realities of distribution as Pfeiffer sees them from his post atop this broad-line house serving Kentucky, southern Indiana and Tennessee. And what are future needs for this 110-year-old firm? "We have to manage GMROI better. As we grow stronger—with minimum debt and a good inventory mix—we'll be dominant with our value-added capabilities and overall customer service."

42. Womack Machine Supply Co.

Dallas, TX

R.C. Womack, CEO

1990 Sales: $34 million

Branches: 12 **Employees:** 125

Serving the energy, defense, construction and materials handling industries, this 41-year-old distributorship is in a growth pattern. Mike Rowlett, executive vice president of Womack, says his company is in the midst of an expansion plan established three years ago. "Our goal was to hit $50 million in sales by 1995. We're a year and a half ahead of that schedule," he says. In the past few years, the company has doubled the number of its outside sales force, and expanded from fluid power into electrical controls and automation.

43. Strong Tool Company
■ Cleveland, OH

Robert Kraisner, President
1990 Sales: $33.5 million
Branches: 7, 3 sales offices
Employees: 97
(See story p.66)

44. Drago Supply Company
■ Port Arthur, TX

Joseph P. Drago, President & CEO
1990 Sales: $30 million +
Branches: 9 **Employees:** 180

Drago Supply Co. is celebrating its 60th year in business as an independent, family-owned distributorship. According to Drago, Drago Supply is in its 21st month of implementing the quality process—a program that has helped the company win major systems contract orders. Drago Supply sells MRO supplies to refineries, petrochemical plants, industrial contractors, and pulp and paper accounts throughout South Texas, Louisiana and Arkansas. Says Drago, "Our goal for the 1990s is to become a large regional distributor."

45. Wainbee Limited
■ Toronto, Ontario, CANADA

Ron Rodger, President
1990 Sales: $30 million +
Branches:12 **Employees:** 200

Wainbee Ltd. prides itself on being an employee-owned distributorship with a progressive profit sharing plan and a commitment to the highest quality customer service. The 34-year-old firm has prospered by selling pneumatics, hydraulics, controls, and production equipment to a broad cross section of industry throughout Canada. Rodger says that Wainbee's plans for the future include growth through acquisition and branch expansion. "Our goal is to double our size during the next five years," he remarks.

46. James J. McGraw Inc.
■ Richmond, VA

Kenneth Fisketjon, CEO
1990 Sales: $30 million
Branches: 11 **Employees:** 123

The James J. McGraw Co., established in 1866, is one of the oldest distributorships in the country. Serving the paper, tobacco, and manufacturing industries in Virginia, North Carolina and northern South Carolina, this distributor plans to expand through strategic acquisitions or mergers. "We recently became an employee-owned company," says George Sydnor, president of James McGraw. "Doing so gave employees even greater incentive to work closely with management." McGraw sells pt components, fluid power equipment, machine tools, cutting tools and abrasives.

47. Apache Hose & Belting, Inc.
■ Cedar Rapids, IA

William Nissen, President and COB
1990 Sales: $29.5 million
Branches: 5 **Employees:** 160
(See story p.64)

48. Senco of Florida, Inc.
■ Orlando, FL

Dale Nichols, CEO
1990 Sales: $24.4 million
Branches: 25 **Employees:**98

According to Roger Goen, general manager of Senco of Florida, the company's "ability to meet customers' changing requirements for the last 34 years" is what sets it apart from its competitors. Considering Senco's primary market—the highly competitive construction industry in Florida—it's a good thing. The company's niche—fasteners, electric power and hand tools, and automatic screw guns—undoubtedly plays a starring role in Senco's success as well.

49. Ziegler Tools Inc.
■ Atlanta, GA

Bill Ziegler, Sr.
1990 Sales: $21 million +
Branches: 1 **Employees:** 94

"Ziegler fills a niche in the industry. We only handle expendable tooling and related products—and that's all," says Turner Wormack, vice president of sales. That specialization, he says, is what puts Ziegler, founded in 1948, in a league by itself. Selling to the metal working, assembly, manufacturing, and fabrication industries in Georgia, South Carolina, Alabama, and Tennessee with an amazing team of 20 outside sales people is what keeps Ziegler on top.

50. Harbor Tool Supply Company
■ Westwood, MA

Stuart Silbert, President
1990 Sales: $20 million
Branches: 3 **Employees:** 100

"At Harbor Tool, we lend our well-recognized, national manufacturers the regional credibility they're seeking," says Silbert. Currently, the 45-year-old company services the New England and Florida regions. But, notes Silbert, "Our goal is to become a greater force along the East Coast." Continuing to target the metal working industry—now in Pennsylvania, Georgia, and North Carolina as well—Harbor is on its way.

This report was researched by an independent, New York-based research firm in cooperation with key executives at the top fifty firms profiled. This feature has been compiled by ID's staff editors and written by Christine Forbes.

Apache's tribe keys into success

Hose and accessories house puts the onus on its people . . .and profits.

Apache Hose & Belting is an employee-owned firm, but president Bill Nissen, leads the troops.

When Apache Hose & Belting, Inc. became an employee-owned company through an ESOP in 1989, the objective was simple: To provide a means for company founder, Robert South, to receive a return on his investment. Now, two years later, that objective has been met . . . and then some.

According to company president and chairman of the board, William Nissen, this specialty hose and belting distributor is on top of its game largely because of its employee-owned status. "Because we are owned by our employees, our employee satisfaction level is high and our turnover rate is very low," Nissen explains. "This consistency and concern translates directly into outstanding customer service and this contributes significantly to the success of the firm."

Success is an understatement. Since the 1970's, Apache has doubled its sales every five years to a resounding $29.5 million for 1990. And, that's all despite the remarkable downturn in the company's staple markets: agriculture and construction. "As a Mid-Western company, we rely heavily on agriculture, and for the last several years—it has been way down," notes Nissen. Construction, too, is on the wane on a nation-wide level, he points out. "We pride ourselves on what we've done and that we've been able to grow in spite of this recession."

Now the question is how? Again, Nissen cites the quality of his work force as a major factor in the company's prosperity during adversity. "Our ability to retain key employees and replace the select few with strong candidates keeps us on top of things," he reports. "And, it affords us the luxuries of time and talent to devote to other aspects of the business."

Those other aspects—specifically customer and product development—have also enabled Apache to keep its head above water during the agriculture and construction drought. The distributorship, launched in 1963, places a great deal of emphasis on its increasing list of value-added services. Conveyor belt fabrication, as well as custom-fitted couplings have become a large part of Apache's business over the years. "Three shifts of employees work five days per week in our conveyor belt production department to modify standard belting," explains Nissen. "We've found that there's a great need for this kind of service. And, the potential for growth is even greater than the current need."

The value-added services Apache provides are particularly profitable in the non-agricultural market which makes up the remaining percentage of its business. The OEM market, in addition to the small distributor market have great interest in such products. "Such services as belt fabrication are not economically feasible for the smaller distributors to provide. Nor do they have the product demand or the space to inventory them," explains Nissen. "Belting is our specialty, so other industrial distributors look to us." Smaller distributors have become a strong market for Apache in the past few years, according to Nissen.

Inventory is yet another area where Apache places a significant amount of emphasis, and to which they attribute much of their great success. "We've always tried to operate the business with the old-line philosophy of 'You can't sell out of an empty wagon,' " remarks Nissen.

Fighting to succeed, like the Indians who bear the Apache name, this Mid-Western distributor is on the right track. And, the horizons look broad and bright. According to Nissen, the employee-owners have retired more than half of the debt the company incurred in creating the ESOP. And, they're happy to report that the leverage won't retard Apache's growth. "We're open to acquisition," says Nissen. "And, we'll continue to concentrate our efforts in the product development area as a means for expansion."

Strong Tool makes strong showing

Service and quality formula proves a boon for cutting tool and abrasive distributor.

One of Strong Tool's secrets for success is manufacturer alignment.

Robert Kraisner, president of Strong Tool Company, uses the word "glut" to describe the state of the industrial market today. "There's a glut of distributors and manufacturers," he says. "And it's causing chaos."

Some might say Strong Tool is contributing to that chaos. But, in fact, this cutting tool and abrasive house is doing its best to eliminate the chaos with several key strategies.

According to Kraisner, market penetration is the most critical strategy. "There's not enough business out there to grow through new business. In fact, it's just the opposite," he says. "In this mature and shrinking market, the most feasible way to grow is by displacing the competition." Understanding this, how does the Cleveland, Ohio-based distributor plan to execute its strategy? By stressing service, quality, and technical ability over price. "Price has been beaten down to the lowest point. Now we must set ourselves apart by standing out in these areas," he explains.

Kraisner and his partners, Jon Greffe and John Siskovic, make Strong Tool stand out from the competition by placing great significance on their people. Kraisner says, "It's a continuing circle. Hire good people and treat them right, they'll give good service to your customers and you'll get more business. It's simple. And it creates growth."

On line with that growth plan, Kraisner touts manufacturer alignment as Strong's second tack for achieving success. "It's not enough to just sell products. You must align yourself with a world-class family of manufacturers," he explains. And, Kraisner notes, these alliances must stand true through both good times and bad. "There should be no such thing as a fair weather partnership. That means loyalty—no competitive lines. And it also means a constant commitment to incentives."

Customer commitment

Strong's pledge to the customer is as steadfast as its commitment to the manufacturer. "As a stable extension of the manufacturer, customers look to us for answers and support," he points out. Strong gives the customers what they need and more, according to Kraisner. He uses the company's relationship with Acme Steel in Chicago as an example. Strong has handled purchasing and storehouse management for the steel conglomerate for several years—a unique responsibility for a distributor. But, it's all part of Strong's goal to "bring the total package to the customer." Kraisner explains, "It's important to be flexible and meet the needs of the people you serve. As times change, we change with them."

Strong Tool's noteworthy approach to the manufacturer and the customer has played a starring role in the company's remarkable growth in the last 19 years. Since the trio bought the company in 1972, sales have skyrocketed from $1.2 million to $33.5 million.

The final strategy for thrusting sales still higher, says Kraisner, is geographic expansion. By opening new distributorships across Ohio—instead of taking the acquisition route—the company fulfills its capacity for growth. "We seek out market areas with strong potential and bring our manufacturers and personnel with us," Kraisner points out. "We feel strongly that this is the most effective means for expansion because we can guarantee everything. Acquisition doesn't afford that."

In addition to new branches, Strong Tool also opened a new central headquarters in March. The 20,000-square-foot facility is designed to meet the personnel, quality control, purchasing and inventory management needs of the company. "We're aiming to attack the cost drivers with our new location," says Kraisner. Considering the firm's record up to now, Strong's on the right track. ■

BUSINESS STAFF

Executive Offices

BOSTON
275 Washington Street
Newton, MA 02158 (617) 964-3030

John R. Kovacs
PUBLISHER

Maura Shea
ADVERTISING/SALES COORDINATOR

Amy Belforti
PROMOTION MANAGER

Maryann Livingston
ADMINISTRATIVE ASSISTANT

Julie Simoneau
DIRECTORY MANAGER

Harvey Solomon
PRODUCTION MANAGER

Circulation Office

DENVER
Carla Keller, CIRCULATION MANAGER
44 Cook Street, Denver, CO 80206
(303) 388-4511

Sales Offices

NEW JERSEY/MID-ATLANTIC/ SOUTH ATLANTIC/NEW ENGLAND
Edward C. Neely
103 Eisenhower Parkway
Roseland, NJ 07068
(201) 228-8600 FAX (201) 228-4622

MIDWEST/SOUTHWEST
Richard W. Daniels
Cahners Plaza
1350 E. Touhy Avenue, P.O. Box 5080
Des Plaines, IL 60018
(708) 390-2991 FAX (312) 635-0929

MIDWEST
Richard E. Helfrick
1621 Euclid Avenue, Suite 1530
Cleveland, OH 44115
(216) 696-1800 FAX (216) 621-4058

George D. Whyte
Cahners Plaza
1350 E. Touhy Avenue, P.O. Box 5080
Des Plaines, IL 60018
(708) 390-2990 FAX (312) 635-0929

WEST COAST
Wally Holdsworth Jr.
Robert Scolaro
180 E. Main St., Suite 270, Tustin, CA 92680
(714) 544-2555 FAX (714) 832-6840

CENTRAL/EASTERN EUROPE
Erhardt Eisenacher
Cahners Publishing Ltd.
Dorotheenstrasse 241, 5300 Bonn 1
West Germany 49-228-650013

Cahners Publishing Company
A Division of Reed Publishing USA

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment. Specialized Consumer Magazines American Baby ☐ Modern Bride.

Advertisers Index

	Page	Circle
A		
Adjustable Fixture Co.	127	86
American Saw & Mfg. Co.	79	44
American Tool Cos	27-30	19
Armstrong Bros. Tool Co.	50	32
Atlas Screw & Specialty Div.	97	57
B		
Baldor	Cover III	2
Band-It Idex Corp.	134	156
Bright Star Industries	71	40
Lester L. Brossard Co.	132, 134	76, 153
Brubaker Tool Corp.	47, 135	28, 163
Bull Information Systems	141	92
C		
Canon U.S.A.	61	35
Carborundum Abrasives Co.	128	82
Cardinal Cutting Tools, Inc.	24	17
Chicago Pneumatic	117	56
CHP Industries	135	161
Cincinnati Milacron	16	11
Coilhouse Pneumatics	137	179
Computers Unlimited	48	30
Conbraco Industries, Inc.	92	106 108
Contact Rubber Corp.	136	168
CooperTools	119, 121, 123, 125	—
Criterion Machine Works	120	79
Crosby Group, Inc.	115	55
D		
Daly & Wolcott, Inc.	54	33
Dayton Rogers, Machinery Prod. Div.	125	107
Descent Control	120	72
Diamond Products Inc.	137	176
Dixon Valve & Coupling Co.	80, 135	45, 165
Dynabrade Inc.	104	63
E		
Eagle Manufacturing Co.	67	38
Eklind Tool Co.	91	52
Electro Abrasives Corp.	48, 136	29, 170
F		
Fastcut	118, 135	71, 164
Ferro Industries	135	162
Flexible Rail	144	99
FYH Brearing Units U.S.A., Inc.	133	105
G		
Garland Manufacturing Co.	26, 137	19, 183
Garr Tool	95	54
Goliath Threading Tools Inc.	136	166
H		
C.H. Hanson Co.	100	104
Hassay Savage Co.	127, 136	81, 167
HBD Industries, Inc.	14-15	10
Heli-Coil, a Black Decker Co.	75	42
Hermes Abrasives, Ltd.	1	*4
Huot Manufacturing Co.	142	96
Huskie Tools, Inc.	132	85
Industrial Clearinghouse, Inc.	114	87
J		
K.R. Johnson, Inc.	122	74
Justrite Manufacturing Co.	124	77
K		
Kennedy	83	46
Klein Tools, Inc.	41	26
L		
Lapeer Manufacturing	142	95
Loctite Corp.	37, 39	23, 24
Longem Elec. Motor Co., Inc.	25	18
Lubriplate Div., Fiske Bros.	22	15
Lug-All Corp.	19, 137	12, 175
Lyon Metal Products Inc.	108	66
M		
Magna Industrial Tools	112	70
MagneTek Century Electric	65	37
Mannesmann Demag Corp.	44	27
Markal Co.	96	58
Mars Electronics	23	16
Martin Sprocket & Gear, Inc.	106	64
Matarah Industries	143	97
Melin Tool	76	43
Micron SBC Corp.	130	83
Mid-States Bolt & Screw	134	151
Milwaukee Electric Tool Corp.	148	102
M.K. Morse Co.	10	8
Morse Tool-Products Tool Supply Co.	109	67
N		
Nachi America Inc.	116	94
National Golf Center	129	—
NIBCO	59	34
Nolan Supply Corp.	114	88
North American Tool Corp.	20	13
NSK Bearings	87	50
NSK Precision Products Div.	68	39
C.S. Osborne & Co.	133	89
OSG Canada	Cover II	1
P		
Penco Products, Subs. of Vesper Corp.	126	80
Pferd Inc.	13	9
Pirelli Power Transmission Corp.	6-7	103
POP Fastener Div., a Black & Decker Co.	98	59
Precision Brand Products, Inc.	86	49
Prelude Systems	107, 136	65, 169
Procunier	134	152
Prophet 21, Inc.	110	69
ProfitVision, Inc.	40	25
Q		
QMI-Industrial Div.	144	100
R		
Radiac Abrasives	138	91
Rayovac Corp.	88	51
Red-Devil, Inc.	143	98
Reynolds Machine & Tool Corp.	101	61
The Ridge Tool Co.	131	53
Rotor Clip	144	101
Robert Routman & Assoc.	125	75
Ryobi America Corp.	72	41
S		
Scandura	130	84
Shop-Aid, Inc.	137	182
Sioux Tools Inc.	102	62
SKF & Dormer Tools Corp.	85	47
Software Solutions	140, 137	60, 181
Spectrum Distribution System	134	154
Sprayon Products	31	21
Stanley-Proto Industrial Tools	8	7
Star Tool Supply Co., Inc.	141	73
L.S. Starrett Co.	Cover IV, 135	3, 157-159
T		
Thomas Publishing Co.	49	31
Titex Tools	2, 136	5, 171
Tomco Division, C.S.P., Inc.	134	155
Top Tape & Label Ltd.	4	6
Trelawny Pneumatic Tools	137	180
Triple-R Specialties	137	177
Tru Stone Corp.	86	48
V		
Vaughan & Bushnell Mfg. Co.	63	36
W		
Warner Industrial Supply, Inc.	125	106
Washington Wholesaler	133	90
Widell Industries, Inc.	34	22
Willcox Engineered Prod., Inc.	136	172
Wright Tool	21	14
Y		
Young Bros. Stamp Works, Inc.	109, 136	68, 173

Industrial Distribution®, (ISSN 0019-8153, GST Reg. #123397457) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Subscriptions include all issues. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Executive Vice President; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. INDUSTRIAL DISTRIBUTION® is a registered trademark of Reed Properties Inc., used under license. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER**: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377. INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA. Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $64.95 per year; $99.95 Canada/Mexico; $109.95 per year for surface mail, $229.95 per year for air mail. Subscriptions include all issues. Except for special issues where price changes are indicated, single copies are available for $15. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800. **REPRINTS**: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018; (708) 635-8800.

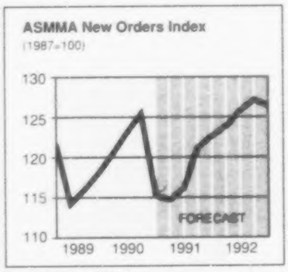
INDUSTRIAL DISTRIBUTION

BUSINESS REPORT

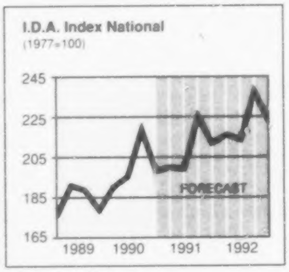
By Paul Waters

Operating rates signal early rebound

By avoiding inventory overhang, manufacturing's ready to react to market realities.


ASMMA New Orders Index
(1987=100)

Data source: ASMMA
Forecast source: Cahners Economics


I.D.A. Index National
(1977=100)

Data source: I.D.A.
Forecast source: Cahners Economics

When is it good for operating rates to plummet? Now. The quick reaction we're seeing to the downturn bodes well for the future recovery, which will occur more quickly because manufacturing has avoided past problems such as inventory overhang. For the present, however, U.S. industry faces expensive, idle capacity. From a level of 83% in July (the month before the Middle East crisis), operating rates plunged to 78.8% in January 1991. The result was that total capacity utilization fell from 83.8% in July to 79.9% in January.

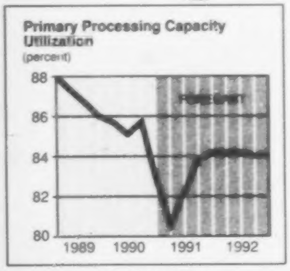
The outlook calls for steady improvement over the next two years. Primary processing will see rates climb from 80.3% in January to 84% by year-end. Expect them to stay above 84% in 1992. Advanced processing utilization, which includes OEM, will climb from a dismal 78.2% in January to 81% by year-end. Look for rates to hover around there in 1992. Consequently, expect rates for total manufacturing to hit 82% by the end of 1991 and stay in that range in 1992.

What's the source of this silver lining? The commodity-led inflation of 1989-90 has fallen, despite surge in oil prices. With demand weak, the higher oil prices drove down tags on commodities from food to metals. This tempered short-term inflation during the crisis.

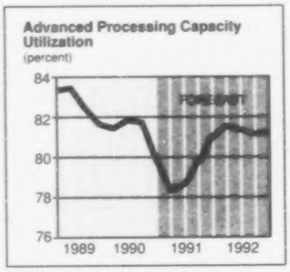
The medium-term inflation outlook is rosy. With ample capacity, manufacturers will easily cope with increased demand. This will keep leadtimes low, which in turn will keep price hikes on industrial materials low. While the crude materials PPI rose 14% in the fourth quarter of 1990 over year-ago levels, it will slowly subside throughout 1991. As a result, expect inflation on crude materials to be just 2.5% this year. Look for a 2.5% drop in 1992.

Producer price inflation on intermediate materials has also begun to abate. Look for it to rise just 2.7% during 1991 and a mere 1.4% in 1992. With low price hikes upstream, producer price inflation on finished goods will rise 3.3% this year and 4.0% in 1992.

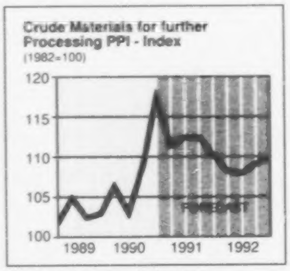
With ample capacity and prudent restraint by the Federal Reserve, inflationary pressures should be mild for at least the next two years.


Primary Processing Capacity Utilization
(percent)

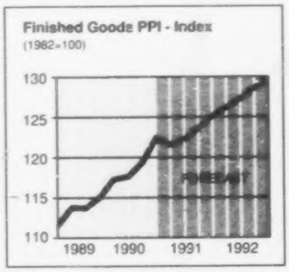
Data source: Federal Reserve Board
Forecast source: Cahners Economics


Advanced Processing Capacity Utilization
(percent)

Data source: Federal Reserve Board
Forecast source: Cahners Economics


Crude Materials for further Processing PPI - Index
(1982=100)

Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics


Finished Goods PPI - Index
(1982=100)

Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Feb. 1991	Jan. 1991	Feb. '91 vs Feb. '90 % change	Feb. 1991 days	Jan.-Feb. 1991 % change
TOTAL	218.7	203.4	13.5	40.1	0.4
EAST	210.1	212.0	30.7	43.5	−0.7
SOUTH	338.4	294.9	27.2	37.6	−0.4
CENTRAL	169.0	165.3	1.4	41.3	1.0
WEST	225.9	211.0	12.7	34.4	1.6

SOURCE: Industrial Distribution Assn.

By Robert G. Clifton

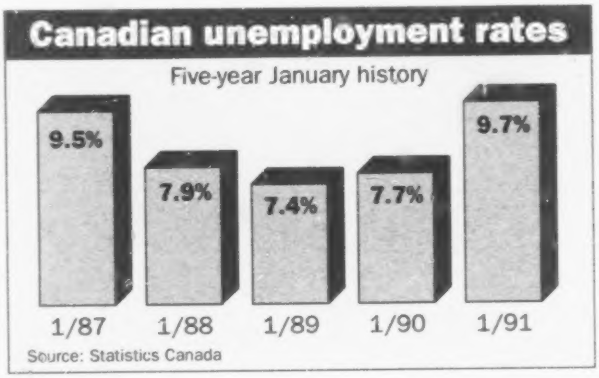
U.S./Canada Free Trade pact revisited

As the Free Trade Agreement enters its third year, who's benefiting?

In January, 1989, the long negotiated US/Canada Free Trade Agreement became effective. On both sides of the border, economic predictions ran the gamut from dire disaster to massive benefits for both countries. What are the results?

Basically, it's too early to tell. The reason is twofold. First, the agreement's terms call for mutual tariff cuts to be *gradually* phased in over a five- or ten-year period—depending on the goods—until all tariffs are eliminated. Second, the business slowdown has lowered trade levels for both countries, reducing the impact of tariff cuts.

We're all aware of the U.S. economy's depressed state. But the Canadian economy is heading downward to what some economists say may be the worst level since the 1930's. The Canadian unemployment rate of 9.7% is a five-year high. In January of this year 40,000 Canadians lost their jobs; 26,000 were put out of work in the industrial heartland of Ontario.



Source: Statistics Canada

What would a severe Canadian depression mean to the U.S. industrial sector? The immediate impact, despite declining tariffs, would be a decreased demand for U.S. industrial products. However, economists claim that since Canadian manufacturing is the worst sector hit by the downturn, many plants will close permanently, or be moved to the U.S., Mexico or the Caribbean. The long range result then, would be a larger Canadian market for imported industrial goods.

Regardless of Canada's present industrial weakness, Canada remains an economic giant due to its wealth of natural resources. The U.S. depends on Canada's minerals, oil, lumber, fisheries, farms, and cheap hydroelectric power. Canada's trade balance with U.S. remains very favorable for Canada—$925 billion for the month of December 1990. But it can also be theorized that Canadian industry, when exposed to free competition, could be unable to compete with the U.S. because it is geared to supply a much smaller domestic market. In the long run the Trade Agreement could balance U.S. manufacturers' products transported north with Canadian raw and semi-finished exports coming south.

Another way of looking at the U.S./Canadian trade figures is to compare trade for common industrial products. Grinding wheels, for example, are one of the products on which tariffs are being phased out over a 10-year span. During 1990 the U.S. exported $17.6 million in grinding wheels to Canada, and Canada exported only $1.8 million worth of those products to the U.S. In 1990, the Canadian tariff rate on U.S.-made wheels was 8.1%, and dropped to 7.1% in 1991. Those rates are already appreciably lower than what Canada charges most other countries.

Trade figures on twist drills, already a tariff-free product, favor the U.S. also; $9.7 million worth went north in '90 and only $300 thousand in twist drills came south.

However, trade is a balancing act, where the rules must be worked out intelligently and equitably for both partners. A cherished domestic customer, say an oil-fired electric utility in New England, would most likely lose out to a more efficient Canadian energy supplier.

Now is the time to become knowledgeable about foreign trade and its trends. There are two sources where you can get information. (1) Most manufacturing associations track the complex government data on imports and exports for their own product lines. (2) The U.S. Department of Commerce has specialists eager to help businesses get into exporting. They have many tools and databases available, and offer private seminars.

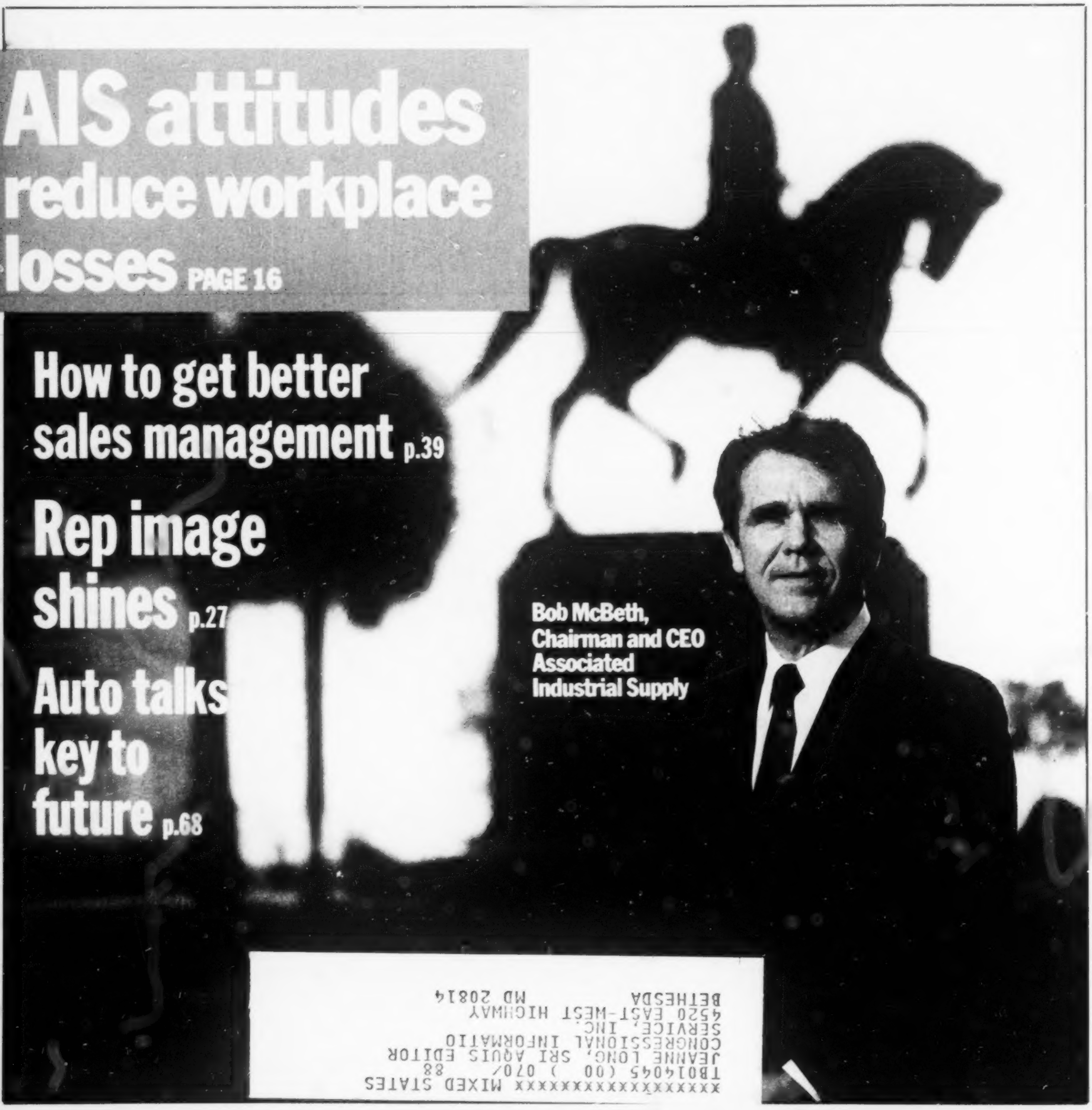
JUNE
1991

A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

EXCLUSIVE
Power tool update p.9



AIS attitudes reduce workplace losses PAGE 16

How to get better sales management p.39

Rep image shines p.27

Auto talks key to future p.68

Bob McBeth,
Chairman and CEO
Associated
Industrial Supply

xxxxxxxxxxxxxxxx MIXED STATES
TB014045 (00) 070/ 88
JEANNE LONG, SRI AQUIS EDITOR
CONGRESSIONAL INFORMATIO
SERVICE, INC.
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

JUNE 1991
A CAHNERS PUBLICATION
Vol 80, No.8

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

FEATURES

16 AIS workers show how to reduce losses
With the aid of a workplace abuse specialist, Bob McBeth followed his employees along the path to enhanced productivity.

21 Sell power tool comfort and control
Recent advances in power tool production and design prove once again that good things come in small packages.

27 Finally, reps get some respect
Industrial reps are no longer the Rodney Dangerfield's of the industry. In the past few years they've earned some long overdue respect.

32 That's an order!
Information is just a phone call away for Fulton Supply thanks to Armstrong Bros.' On Line Access System.

MANAGEMENT

7 Editorial
How to discover the perfect niche.

37 Pacesetters
Warren Ware, Ridge Tool Co.

67 Business Report
Reports of construction's demise are exaggerated.

68 Clifton's View
Automotive industry's health is critical for distributors.

SALES & MISC.

39 Strictly for Sales
John Monoky asks: Where are the sales managers in distribution?

63 Business Staff

64 Classified Marketplace

Watch for our Salary Survey Questionnaire next month!

DISTRIBUTOR'S UPDATE

5 At Press Time
Cardinal breaks up distributor combine; Grainger establishes Bossert Supply; Precision to bar code products; Tips on overtime rules.

8 News
Financing options remain untapped; U.S. manufacturers may be overemphasizing quality; NAHAD salesmen get rave reviews.

41 Association News

41 Calendar

PROFITABLE IDEAS

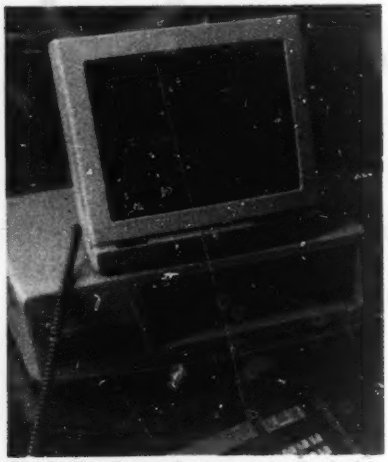
43 Computers
More muscle and lower prices for computers.

45 Products for Profit

57 Sales Aids

Bob McBeth found a way to make workers partners in productivity.—p. 16

Independent reps develop clout as key members of the marketing team.—p. 27



The On Line Access System means timely data to Fulton Supply and Armstrong Bros.—p. 32

Industrial Distribution®, (ISSN 0019-81[illegible] GST Reg #123397457) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Executive Vice President; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. INDUSTRIAL DISTRIBUTION® is a registered trademark of Reed Properties Inc., used under license. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.** INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA. Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $64.95 per year; Mexico, $99.95 per year; Canada, $106.95 per year; all other countries, $109.95 per year for surface mail, $229.95 per year for air mail. Subscriptions include all issues. Except for special issues where price changes are indicated, single copies are available for $15. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800. **REPRINTS**: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 635-8800.

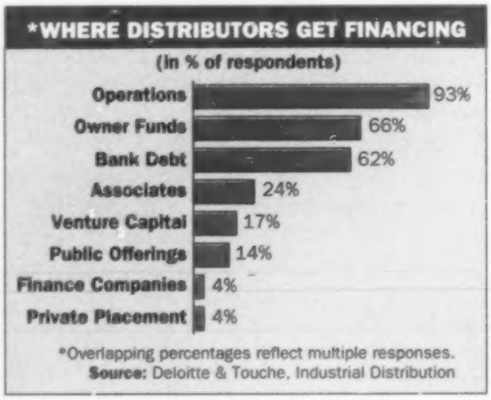
Distributors need '90s finance savvy

NAW says many accessible financing sources remain untapped.

While distributors complain about the credit crunch, they seldom investigate all financing options. So says a joint study from Deloitte & Touche and the National Assn. of Wholesalers (NAW).

The study, which is based on responses from 463 wholesale distributors and 40 financial experts, provides distributors with advice on where to find additional sources of funding. And judging from the results of the report, distributors could use the help.

Some facts: Ninety-three percent of distributors surveyed rely on operations generated capital (see chart). Sixty-six percent of the respondents say their financing comes from owner funding, with bank loans supplying another 62%. And, if you own a small or medium-size distributorship, odds are one-in-three that you supply all your company's capital.


*WHERE DISTRIBUTORS GET FINANCING

(in % of respondents)

*Overlapping percentages reflect multiple responses.
Source: Deloitte & Touche, Industrial Distribution

"Those methods create no new class of investors or creditors, but they are erratic sources of financing," says Deloitte & Touche's Paula Charles. "The reason for this is that one year the company may earn $10 million, the next year $2 million—creating what financial people call a 'volatile' investment flow."

The lender's view

Before distributors can attract the best financing, they must put their financial data in "marketable" order. They need to improve their market research and documentation, analyze data and develop a well-presented strategy.

How do lenders view distributors as investment potential? Overall, distributors get fair to poor grades, mostly due to lack of financial savvy. According to the study, "capital markets regard the wholesale distribution industry as a good financing subject, but criticize it for declining margins; poor information reporting; over-dependence on a single product, supplier or customer; undercapitalization; and lack of financial management depth."

The study lists several financing options for industrial distributors. They include:

[*Continued on p. 11*]

Kudos coming to PT supplier

NEWTON, MASS.—Power transmission (PT) distributors should act now to recognize their most productive supplier salespeople. As part of our 2nd Annual supplier *Field Salesperson of the Year Award,* ID will once again work with the Power Transmission Distributors Assn. (PTDA) to honor technical and customer support contributions made by PTDA's Allied Member salespeople.

PT distributors may nominate up to three salespeople each. Nominating criteria focus on a field salesperson's dependability, knowledge of distributor operations, ethics, ability to convert product knowledge to sales, and awareness and understanding of the competitors' products as well as his or her own.

Distributors should look for the nominating ballots on p. 9 of this issue. Fill out the ballots, using additional sheets for commentary. Send the completed ballots to *Field Salesperson of the Year Award,* c/o INDUSTRIAL DISTRIBUTION, 275 Washington St., Newton, Mass., 02158. Deadline for completed ballots is Thursday, Aug. 15, 1991. ID

NAHAD sets record at Dallas meeting

DALLAS—High attendance by manufacturers and a record number of contact tables characterized the seventh annual meeting of the National Assn. of Hose and Accessories Distributors (NAHAD), held April 17-20 at Dallas' Loews Anatole Hotel.

"We listed more than 600 attendees going in, and we had quite a few additional attendees register at the last minute, too," says Joseph Thompson, executive vice president. "We were gratified by the response, particularly in light ot the economic situation."

Speakers at the convention included motivational speaker, Patricia Fripp, as well as Roger Staubach. Educational programs were led by Patrick Dolan, Arthur Andersen's Wholesale Distribution Industry Director, and Christopher Hegarty, nationally known management speaker and author. To complete the event, panel and roundtable discussions were also held.

Michael Summers, the trade group's new president, was pleased with the outcome of the convention. "The meeting raised as many questions as we could answer." ID

Finance savvy

- **Suppliers:** Many suppliers offer direct loans, extended terms and credit limits, inventory buy-back (or consignment placement) agreements, and joint venture financing.
- **Customers:** Similar to suppliers, customer sources can also involve joint ventures, inventory financing and outright loans.
- **Private Placements:** Medium-size insurance companies, pension and mutual funds, and private investors are funding sources through either direct sales of securities or as long-term business loans.
- **Venture Capital:** Distributors with excellent growth potential should investigate venture capital funding. But the stringent financial requirements and potential loss of autonomy are drawbacks.
- **Banks:** In addition to term loans, banks also offer lines of credit, cash management services and asset-based lending backed by accounts receivable or inventory.
- **Finance companies:** Non-bank financial institutions are regarded as a last resort. But finance companies, as they are less restricted by government regulation, are an alternative for smaller distributorships that banks are turning down now.
- **Government financing:** Few distributors may meet the requirements, but federally insured bank financing, industrial development bonds and Small Business Administration loans should be considered.
- **Public offerings:** The decision to go public requires careful analysis of capital requirements, earnings potential, investor interest, and market conditions. On the negative side going public is an expensive process, and one which can reduce management control.
- **Commercial paper:** Medium to large-sized distributorships, with highly rated account receivable balances, can obtain low-cost capital from short-term promissory notes, backed by receivables.—*By Diane Doucette*

Financing Wholesale Distribution in the 1990s *is available, prepaid, from* NAW. *The price is $90 for direct members, $120 for commodity members, and $160 for non-members. Add $4 for shipping costs, and send a check to* NAW, *1725 K St., N.S., Suite 710, Washington, D.C. 20006. Or, you may fax a credit card number and expiration date to (202) 785-0586.*

ITW expands presence in auto sector

GLENVIEW, ILL.—Illinois Tool Works Inc. (ITW) purchased Milwaukee, Wis.-based Mellowes Co. in April for an undisclosed amount of cash.

Mellowes, a manufacturer of split ring lockwashers and cotter pins, will join ITW's Shakeproof-Industrial business, which produces a wide range of metal fasteners, stampings, components and assemblies.

ITW spokesman, Timothy Johnson, says that the recent purchase improves ITW's presence and selling ability within the automotive fasteners market.

Thomas J. Hansen, vice president and general manager of Shakeproof-Industrial, adds that the move "will significantly improve Shakeproof's ability to serve industrial fastener distributors in the U.S."

The Mellowes Co., formerly a division of Charter Manufacturing, will continue to operate out of its Milwaukee headquarters. The firm's current management will stay in place.

Study questions U.S. focus on quality

BOSTON—A new study says that U.S. manufacturers are so focused on catching up with the Japanese on quality, they may miss the next manufacturing trend.

The study of 500 manufacturers in the U.S., Japan and Europe, says that the Japanese have moved on to manufacturing's next phase—producing custom products to meet consumer demands.

Titled *Factories of the Future*, the report was jointly conducted by Boston University, Waseda University, Tokyo and by the European Institute for Business Administration (INSEAD), Fontainebleau, France.

The researchers found that manufacturers from the three major industrial regions are developing factories around very different strategies. American manufacturers focus mainly on quality improvement programs, creating the *value factory*. Europeans are planning the *borderless factory*, preparing for Europe 1992. And Japanese manufacturers, having achieved a high quality level, have created *design factories*, which produce more customized products.

When asked to comment on the survey, U.S. manufacturers and distributors had some strong views. For starters, Jake R. Nichol, vice president, sales, Stanley-Proto Industrial Tools, disputes the notion that the Japanese model is the cutting edge in manufacturing.

"We are more individualized in American manufacturing," Nichol says. "At Stanley, we have 10,000 product numbers, and will run small lots of 1,000 pieces each year. Our high value lots are typically run in lots of 40,000 pieces."

Nichol flatly disagrees with the report that the U.S. emphasis on quality endangers the nation's ability to compete. He says, "To focus on quality puts a manufacturer in jeopardy competitively only so much as focusing solely on any one aspect *exclusively* will."

There's a diamond in Kennametal's future

LATROBE, PA.—Kennametal Inc. and Japan-based Idemitsu Petrochemical Co., Ltd. have formed a joint venture company to explore diamond film technology.

Finalized in February, the joint venture company will develop, manufacture and eventually sell metalcutting inserts with thin-film diamond coatings. The coatings are created by a microwave-plasma-assisted chemical vapor deposition process developed by Idemitsu.

Bill Kennedy, Kennametal spokesman, says that the new venture combines Kennametal's tooling expertise with Idemitsu's pioneering work in the vapor phase synthesis of diamond coatings. Focused initially on producing and evaluating materials for difficult-to-machine metalworking, both companies have high hopes for the new technology.

"Although the commercial potential for diamond film is unclear at this point, we're confident," says

INDUSTRIAL DISTRIBUTION

BUSINESS REPORT

By Paul Waters

Construction gets in sync

Demand for materials erratic.

The U.S. economy is expected to give a weak performance this year. And most sectors of the construction industry will underperform the overall economy due to credit availability, weak consumer confidence, and the federal budget deficit.

Despite that dim outlook, reports of construction's demise are greatly exaggerated. The industry is simply restructuring to accommodate low levels of productivity increases and a slow growing work force.

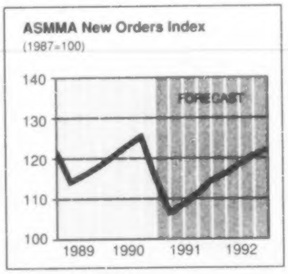
Distributors serving the construction markets will see activity pick up in the second half. Total construction spending this year will inch up 0.2% on the strength of non-building (sewers, highways, etc.) construction. Residential and non-residential construction spending will slide 0.6% in '91 and housing starts will slip 3.1%.

Success in construction, however, will depend on identifying and reacting to new trends. The difference between this year and last is that the industry will be moving from the late stages of a downturn to the early stages of a rebound. For home building, the upturn is expected in the second quarter; for non-residential construction, it will occur late in the third quarter.

As the economy rebounds, the characteristics of construction projects tend to change. The housing industry takes on a different tone. During downturns, first-time home buyers account for a large share of home purchases. In the early stages of an upturn, low interest rates and higher confidence bring back the trade-up buyer.

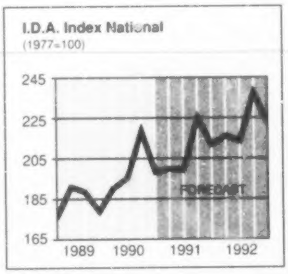
Home remodeling will also change. With the economy weak, most spending by home owners has been on simple do-it-yourself projects around the home. As the economy rebounds, demand for larger home additions and alterations will pick up. Expect total remodeling expenditures to rise 2.4% this year, with the biggest increases coming in the replacement, additions and alterations segments.

The bottom line is that distributors will see demand for construction materials pick up in the second half. 1992 will be good to the construction industry, with housing starts rising 12.9% and non-residential construction spending up 4.7%. □



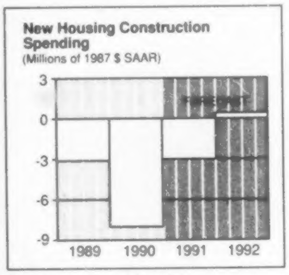
ASMMA New Orders Index
(1987=100)

Data source: ASMMA
Forecast source: Cahners Economics



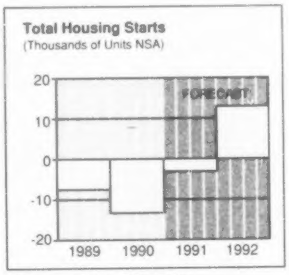
I.D.A. Index National
(1977=100)

Data source: I.D.A.
Forecast source: Cahners Economics



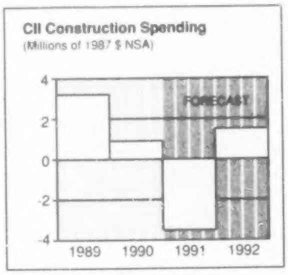
New Housing Construction Spending
(Millions of 1987 $ SAAR)

Data source: Dept. of Commerce
Forecast source: Cahners Economics



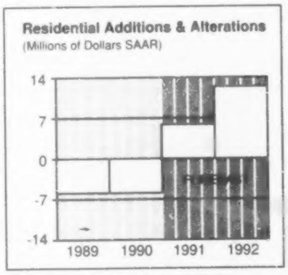
Total Housing Starts
(Thousands of Units NSA)

Data source: Dept. of Commerce
Forecast source: Cahners Economics



CII Construction Spending
(Millions of 1987 $ NSA)

Data source: Dept. of Commerce
Forecast source: Cahners Economics



Residential Additions & Alterations
(Millions of Dollars SAAR)

Data source: Department of Commerce
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Mar. 1991	Feb. 1991	Mar. '91 vs Mar. '90 % change	Mar. 1991 days	Mar.-Feb. 1991 % change
TOTAL	203.3	218.7	9.1	43.0	0.4
EAST	197.6	210.1	26.9	46.0	-0.7
SOUTH	323.0	338.4	23.9	40.8	-0.4
CENTRAL	153.0	160.1	-4.4	45.8	1.0
WEST	205.4	225.9	3.1	36.7	1.6

SOURCE: Industrial Distribution Assn.

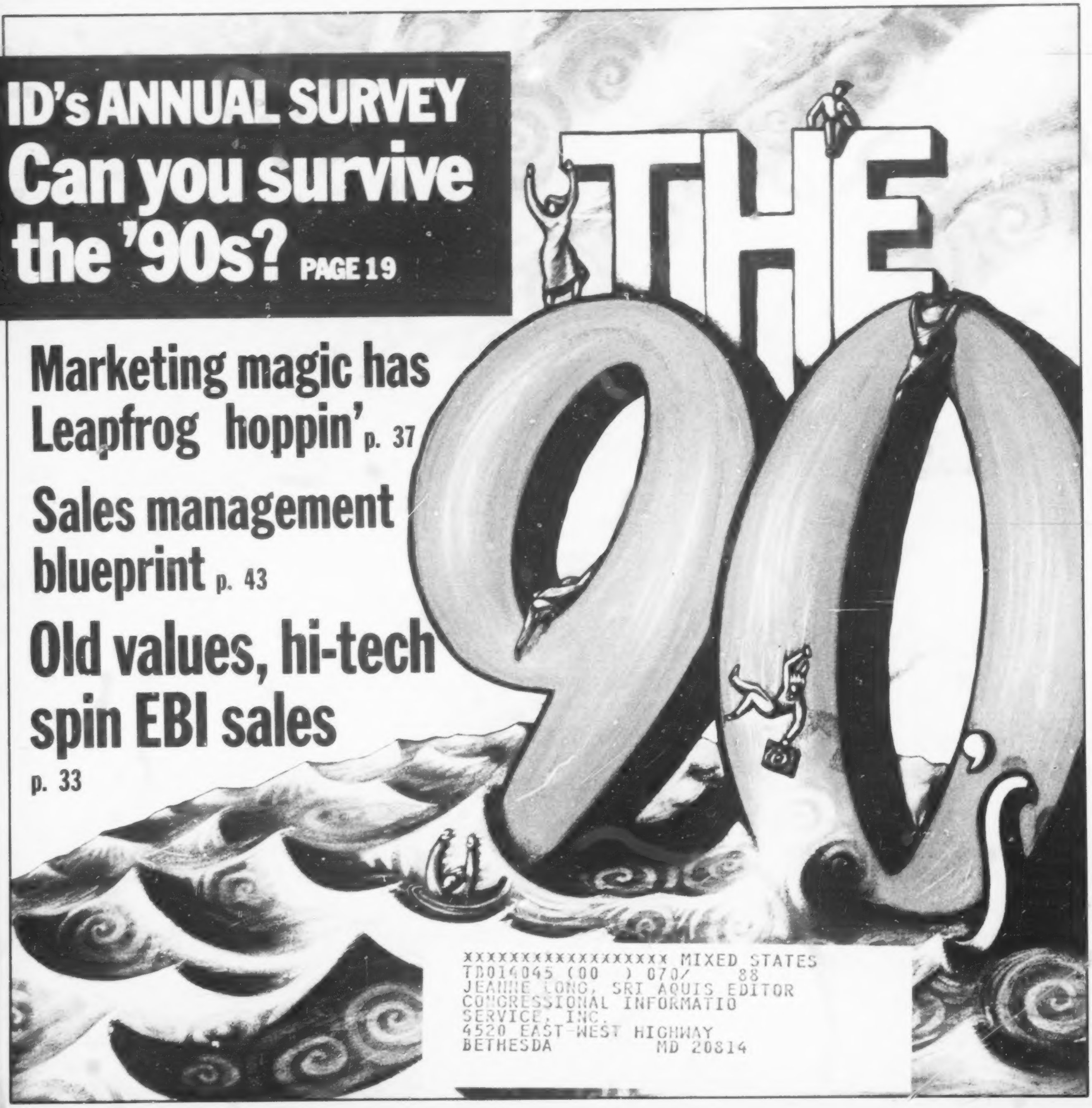
JULY 1991

A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

EXCLUSIVE
1991 Salary Survey Questionnaire p.9



ID's ANNUAL SURVEY
Can you survive the '90s? PAGE 19

Marketing magic has Leapfrog hoppin' p. 37

Sales management blueprint p. 43

Old values, hi-tech spin EBI sales p. 33

XXXXXXXXXXXXXXXXXXX MIXED STATES
TB014045 (00) 070/ 88
JEANNE LONG, SRI AQUIS EDITOR
CONGRESSIONAL INFORMATIO
SERVICE, INC.
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

JULY 1991
A CAHNERS PUBLICATION
Vol 80, No.9

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

Getting paid for services will help you survive the '90s.—p. 19

EBI uses old values and high technology to win new sales.—p. 33

Here's a dynamic example of how to get and keep customer attention.—p. 37

FEATURES

19 To survive, put value in your value-added
ID's 45th annual survey shows that distributors sold more product last year but made less money. To prosper, you need to find ways to charge for value-added services.

33 How to gauge the market's race
Eastern Bearings Inc. keeps ahead of the competition by communicating electronically with customers.

37 Marketing . . . by leaps and bounds
Through brilliant marketing and promotional materials, Leapfrog Technologies keeps sales hoppin' at Gardena Industrial Supply.

MANAGEMENT

7 Editorial
Better days ahead for industrial distributors.

41 Pacesetters
Carl F. Walz, CRC Industries

67 Business Report
Steady growth for OEM sector.

68 Clifton's View
Auto sales continue to slide.

SALES & MISC.

43 Strictly for Sales
Provide your sales managers with the tools they need to manage.

66 Business Staff

64 Classified Marketplace

62 Distribution Mart

NEXT MONTH: Purchasing pros and their distributor partners share insights into total quality and total cost.

DISTRIBUTOR'S UPDATE

5 At Press Time
AIAG issues EDI guidelines; Scan-Tech to draw record crowds; Kisel elected BSA president; Fastener regulations delayed.

11 News
IDC takes a look at quality; Company car use to continue; Sawin captures top award; 3M wins American Eagle; CT to reorganize; MSC and GTE Valenite sign marketing agreement.

17 Letters

45 Association News

45 Calendar

PROFITABLE IDEAS

47 Computers
Local area networks continue spectacular growth.

49 Products for Profit
New products you can sell.

61 Sales Aids
New brochures, spec sheets and supplier catalogs.

Industrial Distribution®, (ISSN 0019-8153, GST Reg. #123397457) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Executive Vice President; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. INDUSTRIAL DISTRIBUTION® is a registered trademark of Reed Properties Inc., used under license. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.** INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA. Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $64.95 per year; Mexico, $99.95 per year; Canada, $106.95 per year; all other countries, $109.95 per year for surface mail, $229.95 per year for air mail. Subscriptions include all issues. Except for special issues where price changes are indicated, single copies are available for $15. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800. **REPRINTS**: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 635-8800.

INDUSTRIAL DISTRIBUTION

EXCLUSIVE SURVEY

Can you survive the '90s?

Once again, **ID**'s Annual Survey of Distributor Operations takes the industry's pulse. The prognosis: while there's no need to panic, it's clear that profits are going to be tough to come by in the years ahead.

OVERVIEW

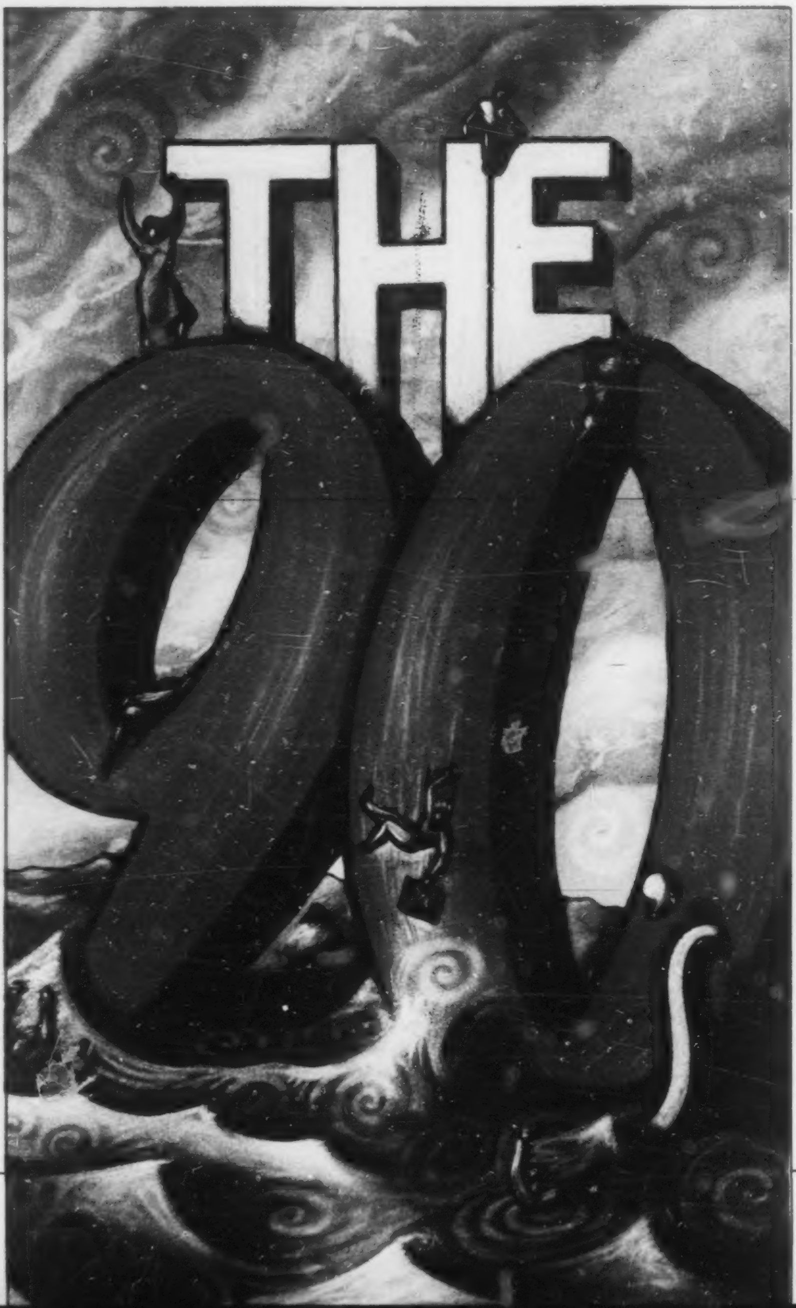
'I'm not sure anybody has figured out a way to charge for service.'
PAGE 20

MANAGEMENT

'The survey indicates that acquisition activity is slowing down.'
PAGE 22

COMPUTERS

'A whopping 89% of those surveyed say their firms are computerized.'
PAGE 24



Troy Thomas

PERSONNEL

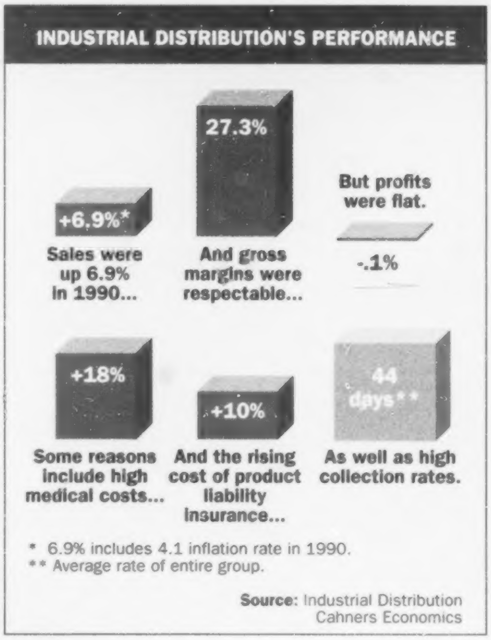
'Distributors are being cautious with their hiring practices.'
PAGE 26

INVENTORY

'Suppliers are helping distributors keep inventories down to meet customer jit needs.'
PAGE 28

SURVEY INFO

'The list included distributors from almost every segment of the industry.'
PAGE 30

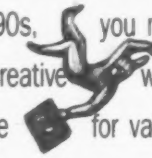


* 6.9% includes 4.1 inflation rate in 1990.
** Average rate of entire group.

Source: Industrial Distribution Cahners Economics

To survive, put value in your value added

Distributors sold more product last year, but took home less. If you're going to prosper in the '90s, you must find creative ways to charge for value-added services.



By Steve Zurier, Senior Editor

Things were tough for industrial distributors last year. Without question, the recession that began a month before Saddam Hussein's Aug. 2 invasion of Kuwait had a dramatic impact on the industry. As a group, sales rose only 6.9% when adjusted for inflation. And profits were flat.

Truth be told, 1990 was not the first year in recent memory that distributor sales were up, but profits were down. In fact, industrial distributors say profit margins are historically low in this industry. Many say the average distributor is lucky to hit 2% net profit after tax as a percentage of sales.

According to the *45th Annual Survey of Distributor Operations*, the average net profit after tax number for 1990 is up a little higher, at 3.6%. But compared with W.W. Grainger, Inc.'s 1990 net profit of 6.6%, the average industrial distributor has a long way to go.

Some explanations

Why is profitability so low? The *Survey* points to rising operating costs and poor collection rates as some of the reasons distributor profits were flat last year. For example, the *Survey* found that the average cost of medical insurance increased 18% in 1990, product liability insurance costs jumped 10%, and on average, collections were running in excess of 44 days.

When presented with the results of the *Survey*, not one industrial distributor was surprised. Most everyone agreed that since Aug. 2, 1990, the combination of rising costs and poor economic conditions made running a profitable distributorship a struggle.

The only bright spots were the South (includes Texas), which had a 19% sales gain, and the Central Region, which jumped 15%. The West jumped 15% last year, but it was down from 23% growth the year before. Elsewhere around the country, the Northeast was up 9% overall, as was the Southeast. And the North Central, which includes the automotive states of Michigan and Ohio, came in at 0% growth—a number which given the performance of the major automobile makers, is hardly surprising.

What about value added?

Yet another explanation for low profitability is that distributors are investing more on so-called value-added services, but have not found an effective way to charge for these services. While the *Survey* does not confirm this in an authoritative way, it does provide some insights into the value added question. Some of the *Survey's* results are as follows:

- 55% say they are allocating more resources to their marketing effort.
- 52.2 agree that to prosper in the next 10 years, they must invest more heavily in computer technology.
- 54.3% say they must provide engineering capabilities.
- 68.4% say that they must hire technically inclined inside and outside salespeople.

It's not that simple

Value added has always been a tricky area for distributors. After all, it can take four, maybe five calls before an outside salesperson closes a sale. Many distributors readily admit they are uncertain over how to charge for consultations, training, tests and items as routine as order entry and deliveries.

But Rusty Duncan, of Machine Tool Supply in Eagan, Minn., says that distributors must recognize that if they don't charge for these value-added services, customers won't think the services are worth anything.

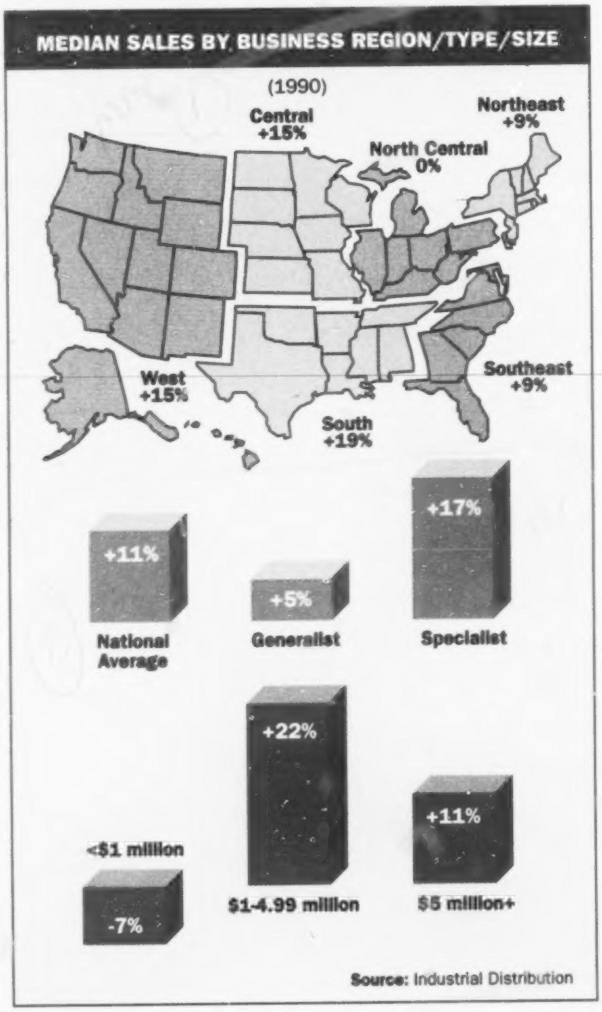
"Too many industrial distributors don't sell the service as an additional cost to the customer," he says. "One of the ways we've handled this problem at our company is to provide electronic data interchange only to customers who generate enough sales volume to justify the added service."

Doug Smith, president of the Industrial Distribution Group in Tucker, Ga., says that industrial distributors can only charge their long-time customers for value-added services.

"I'm not sure anybody has figured out a way to charge for service," Smith says. "But I do believe that over time, as you develop a relationship with a customer, the intelligent ones understand that the distributor has to make a living too."

Bob Lyons, president of Thomas Industrial Products in Owings Mills, Md., whittled down the issue to three basic points. Lyons says that to become more profitable, a distributor must understand his cost structure, learn how to charge for value-added services and reduce costs by implementing the quality improvement process.

MEDIAN SALES BY BUSINESS REGION/TYPE/SIZE



Source: Industrial Distribution

"I'm convinced we can do a better job in this area," Lyons says. "But I do agree that a distributor's best shot to pass off these costs is by developing long term relationships with his customers."

Other trends

Each year, ID's *Survey* pinpoints the trends that are having the greatest impact on the distribution industry. The *Survey* also provides insight on the issues most distributors consider less important.

One issue that had decidedly little impact on the industry was the formerly "hot topic" of buying groups. The *Survey* found that 86.6% of the respondents don't belong to a buying group; 72.1% say that buying groups have little or no impact on their business; and 50% say they have no impact at all.

In addition, when asked about the impact of captive distribution, the mass merchants, distributor terminations, single sourcing, and mergers and acquisitions, we barely got a response.

The one overriding distributor concern for the upcoming year was economic conditions. In fact, 55.3% of the respondents listed the economy as their "Biggest Concern." But while a majority are concerned about what the future holds, a sizzling 60.1% expect sales to increase this year. And about 32% predict sales growth will top 10%. Talk about optimists!!!

Conclusions

The Editors at **ID** urge you to read on carefully. We're convinced that this year's report is a fascinating snapshot of the distribution industry's performance, and a reliable source of data from which you can evaluate your business.

Can you survive the '90s? Given that the average distributorship has been in business 34 years, some even longer, **ID** knows you can. But you have to have the tools. The survey reports that distributor margins on average run at about 27.3%. While that's down slightly from last year, it's still fairly respectable.

The question you must ask yourself in these competitive times is that if sales are up, and gross margins are reasonable, why aren't industrial distributors as a group making money? We believe this report will help you get to the bottom of this important question.

With the credit crunch, a weak junk bond market and war in the Persian Gulf, the frenetic days of merger mania ended on Wall Street in 1990. The fallout was so bad that *Business Week* shrunk its list of Top Deals from 200 to 100.

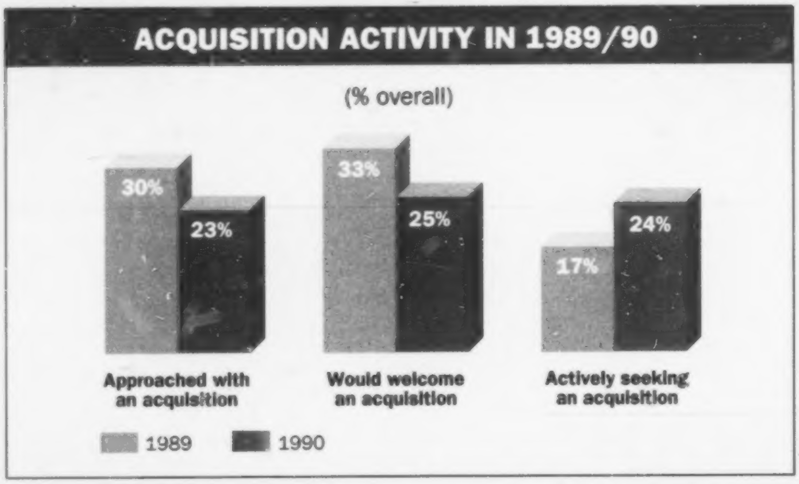
While billion-dollar deals went sour in 1990, experts predicted that smaller deals would be the norm. They said distributorships would be attractive to larger, highly capitalized companies, mid-sized distributors looking to stay competitive and Europeans seeking quick entry into the U.S. market.

It all makes sense. But the *Survey's* findings indicate that acquisition activity is slowing down. When asked if their company was approached with an acquisition offer in 1990, 77% said no, while a mere 23% said yes. This is compared with a 70% no, 30% yes response in 1989. The "no's" had it across the board this year. Seventy-two percent of the general liners said no, as did 80% of the specialty distributors and 82% of the combination houses.

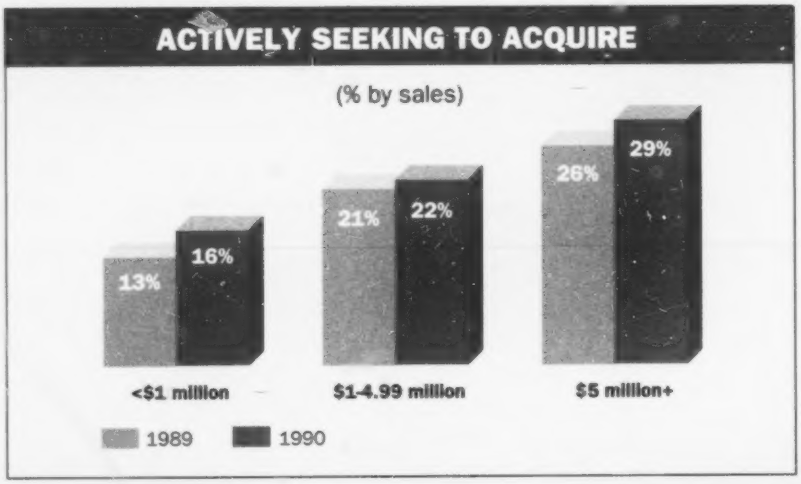
The category surveyed that reported the most acquisition activity was the $5 million+ houses. Twenty-seven percent of those who run larger houses say they *were* approached with an offer. And 29% of the houses surveyed in the $5 million+ category report they are actively seeking an acquisition.

The bad news for the deal makers is that 82% of the respondents in the $5 million+ category say they *wouldn't* welcome an acquisition offer. The answer: find the 18% who say they'd like to be acquired.

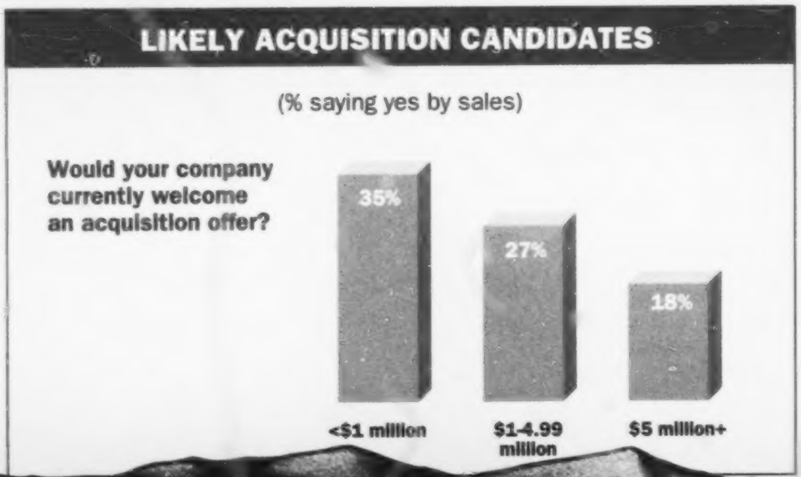
By far, the group that expressed the most interest in being acquired was the under $1 million category. Thirty-five percent of those polled in this group say they would welcome an acquisition offer. But only 17% said they were approached last year, which means that houses with sales under $1 million have a long way to go before they are attractive properties to the people making deals.


ACQUISITION ACTIVITY IN 1989/90

(% overall)

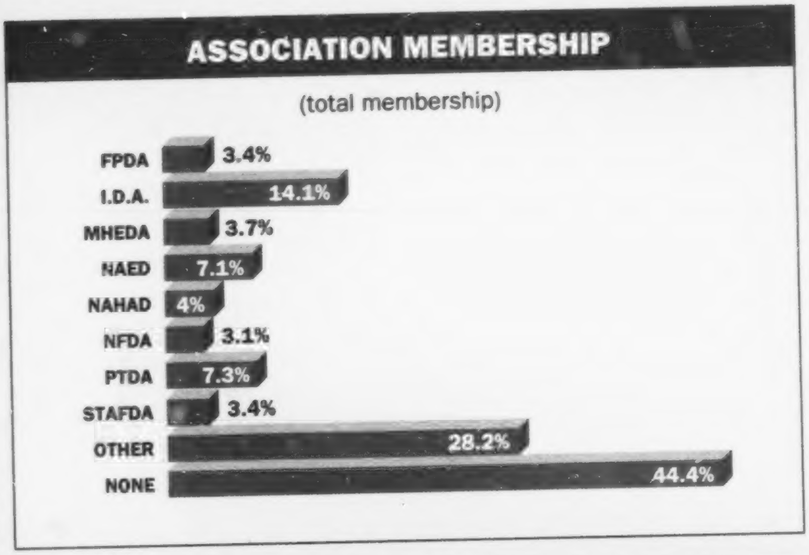

ACTIVELY SEEKING TO ACQUIRE

(% by sales)

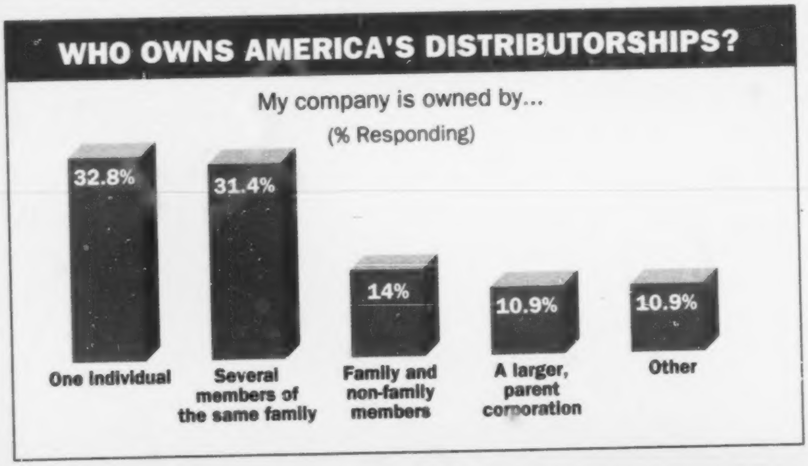

LIKELY ACQUISITION CANDIDATES

(% saying yes by sales)

Source: Industrial Distribution

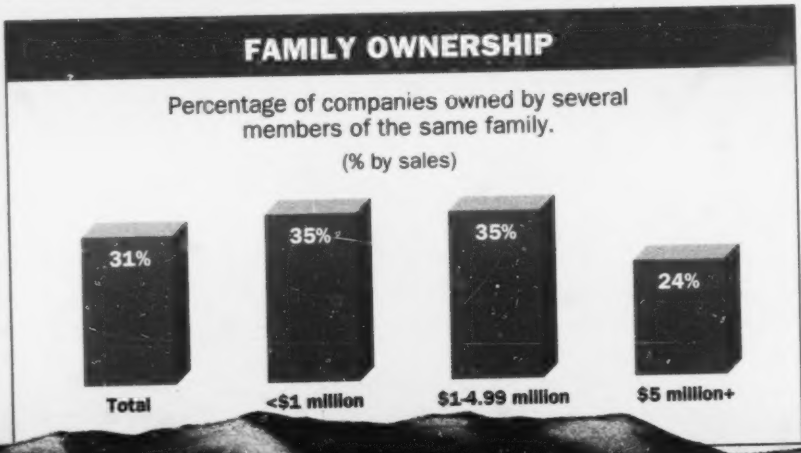

ASSOCIATION MEMBERSHIP

(total membership)


WHO OWNS AMERICA'S DISTRIBUTORSHIPS?

My company is owned by...

(% Responding)


FAMILY OWNERSHIP

Percentage of companies owned by several members of the same family.

(% by sales)

Source: Industrial Distribution

One of the most effective management tools a distributor has is an association membership. After all, trade associations generally publish sales and profitability information, and hold valuable training seminars at annual and seasonal conventions.

But 44.4% say they don't belong to a distributor trade group. And another 28.2% wrote in "other" when asked which trade group they belong to. The most popular group in our sample was the I.D.A., with 14.1% reporting membership in the combined trade group. Other groups cited were PTDA, with 7.3% reporting membership, NAED, 7.1%, NAHAD, 4%, and MHEDA, 3.7%.

Much is made of the distributor's independent nature. Unfortunately, independent people are typically not joiners. And based on this year's *Survey*, the industry's leading trade groups may have a tough job ahead attracting new members because most distributorships are still independent.

The *Survey* found that 32.8% of the firms polled are owned by one individual, 31.4% are owned by several members of the same family and 14% are owned by family and non-family members. Only 10.9% are owned by a parent corporation, with the remaining 10.9% writing in "other." So despite reports of highly leveraged companies buying into distribution, our *Survey* found that the industry remains a bastion of the family-owned business.

This conclusion is hard to argue, particularly when you look at the results by sales. Slightly more than 46% of the under $1 million firms are owned by one individual, as are 28% of the $1-4.99 million companies and 31.8% of the $5 million+ houses. In addition, 35% of the under $1 million firms are owned by several members of the same family, while 35% of the $1-4.99 million companies are owned by several members of the same family, as are 24% of the $5 million+ houses. Two messages to family members: Number one, the slowdown in the aquisition trend should give you enough time to plan for the future. Number two, consider membership in a trade association. It could be a first step in ensuring your company's long-term profitability.

COMPUTERS

When industrial distributors speak of how they're going to stay profitable in the years ahead, more often than not, the conversation turns to computers and data processing. In fact, a whopping 89% of those surveyed say their companies are currently computerized. Broken down by sales, 98% of the $5 million+ houses are computerized, as are 90% of the $1-4.99 million companies and 67% of the under $1 million firms.

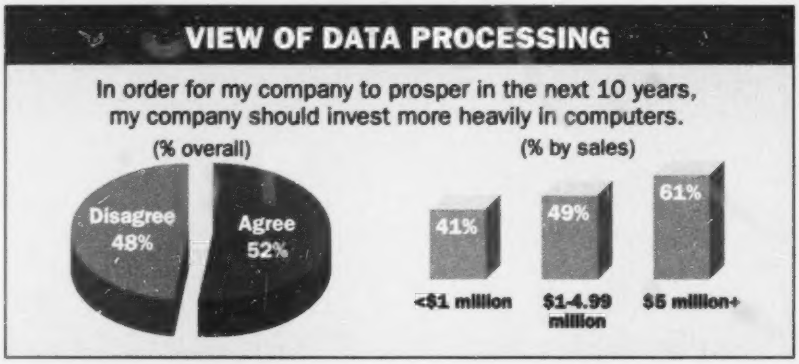
When asked if they had to invest more heavily in computers in order to prosper during the next 10 years, a majority (52%) replied yes, while 48% said no. Analyzed by sales, 61% of the $5 million+ houses said yes, as did 49% of the $1-4.99 million houses and 41% of the under $1 million firms.

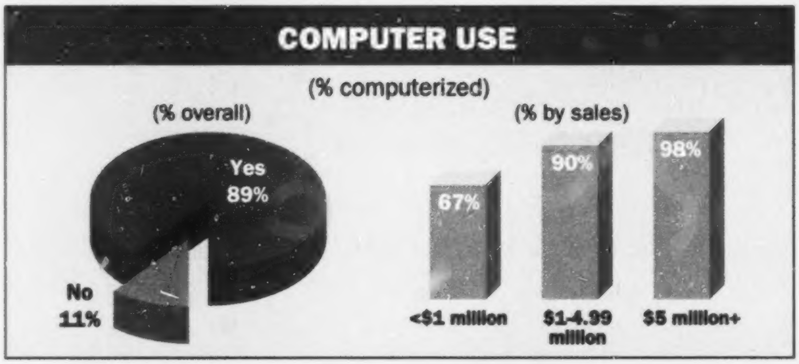
There are two main areas in which distributors will be investing during the next few years. One area is electronic data interchange (EDI). Forty-three percent overall say they use EDI, 84% with customers and 65% with suppliers. This is up from a year ago, when only 16% overall reported using EDI.

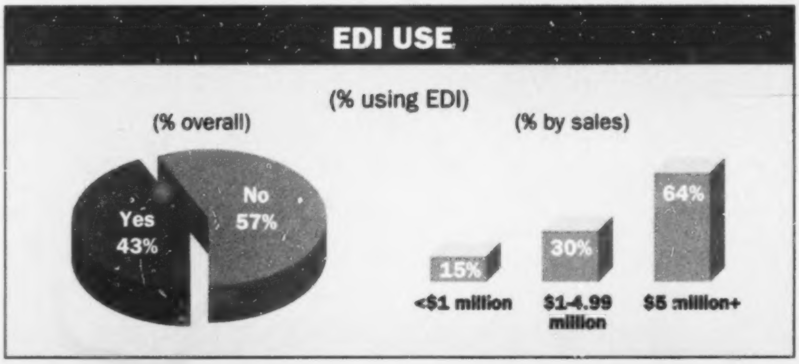
But even more significant, 64% of the $5 million+ distributorships have made investments in EDI, compared with 30% of the $1-4.99 million industrial supply companies and a mere 15% of the under $1 million.

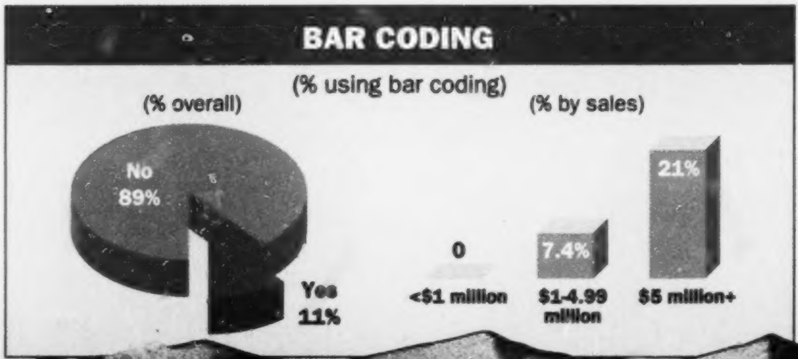
Bar coding is the other piece of technology distributors are currently experimenting with. While only 11% say they have implemented bar coding thus far, 45% overall plan to do so within the next three years. Significantly, 64% of the $5 million+ houses plan to use bar coding within the next three years.

So if industrial distributors aren't profitable in 1991, it's not because they aren't investing in new computer technology. From now on, distributors will have more access to information than they've ever had in years past. The key is not merely obtaining the information. It's understanding and using it effectively.

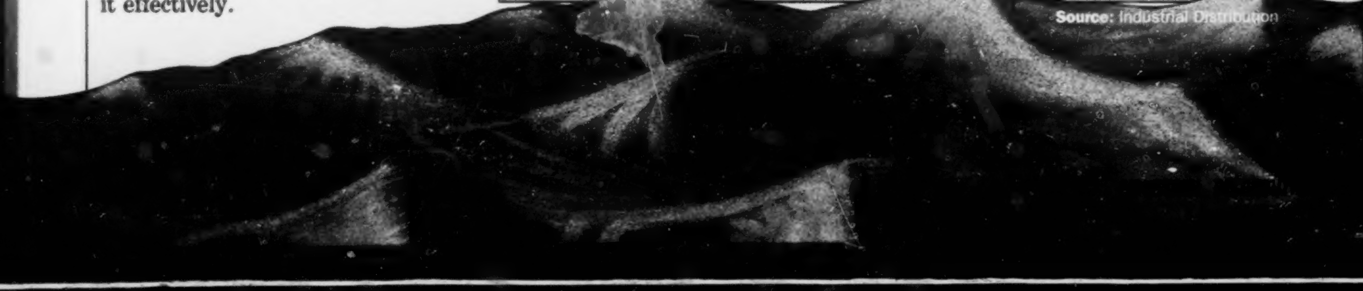








Source: Industrial Distribution



PERSONNEL

Distributors held fairly steady with their personnel practices in 1990. The median number of full-time employees was 17, up from 16 the year before. Broken down by type of distributor, the generalists were at 19, up from 18 the year before; the specialty houses were at 15, up from 14 the year before; and the combination houses were at 19, up from 18 the year before.

Taken by size, the median number of employees for the under $1 million houses dropped to 4 from 5 the year before; held steady at 12 for the $1-4.99 million companies; and inched up to 49 from 48 the year before for the $5 million + houses.

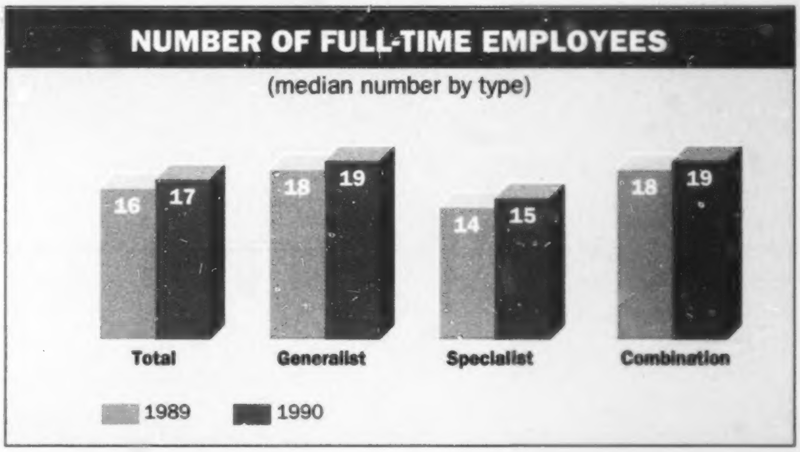
According to the *Survey*, there won't be much change in 1991. For example, 62% say they will maintain the same number of full-time employees, and another 9% say they will be using fewer full-time employees. Only 29% overall say they will be hiring more full-time employees—bad news for job seekers.

Taken by size, the news is even worse for those looking to land a job with a $5 million + house. Nearly 16% of the respondents in that category said they were hiring fewer full-time employees, compared with 6.8% in the $1-4.99 million category, and 3.4% of the under $1 million houses.

If there is to be hiring, job seekers should look to the $1-4.99 million and under $1 million companies. Nearly 34% of the $1-4.99 million firms said there were hiring more full-timers, as did 33% of the under $1 million firms.

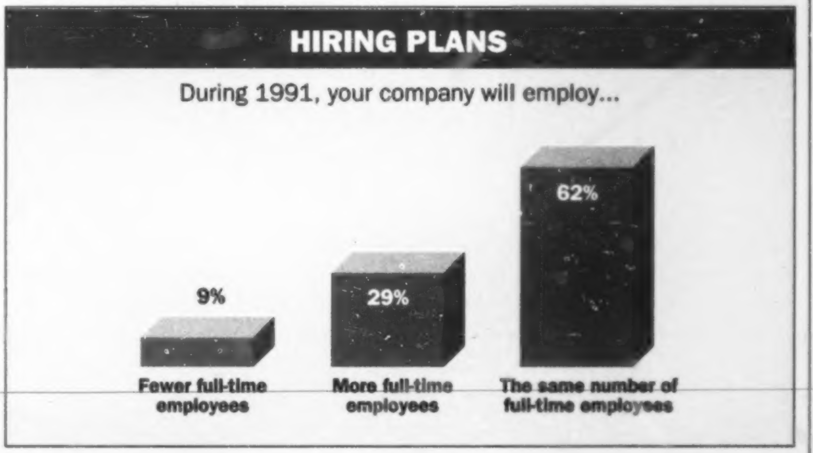
But while job prospects are slim overall, there is some good news for full-timers lucky enough to keep their jobs. When asked if their company planned to use part-time employees to replace full-time employees, a whopping 85% said no, while 15% said yes.

The lesson here: With slight sales increases and intense pressures on profits, distributors are being cautious with their hiring policies.



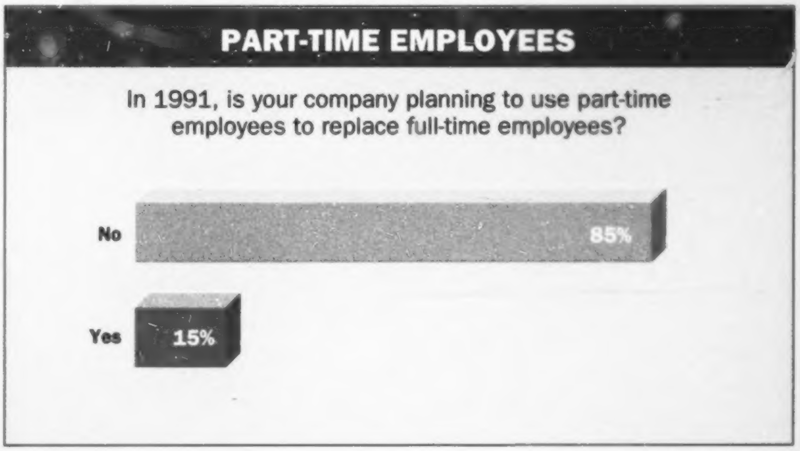
NUMBER OF FULL-TIME EMPLOYEES

(median number by type)



HIRING PLANS

During 1991, your company will employ...



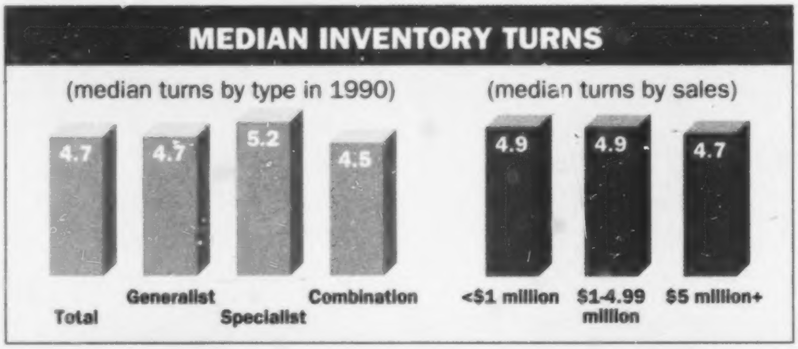
PART-TIME EMPLOYEES

In 1991, is your company planning to use part-time employees to replace full-time employees?

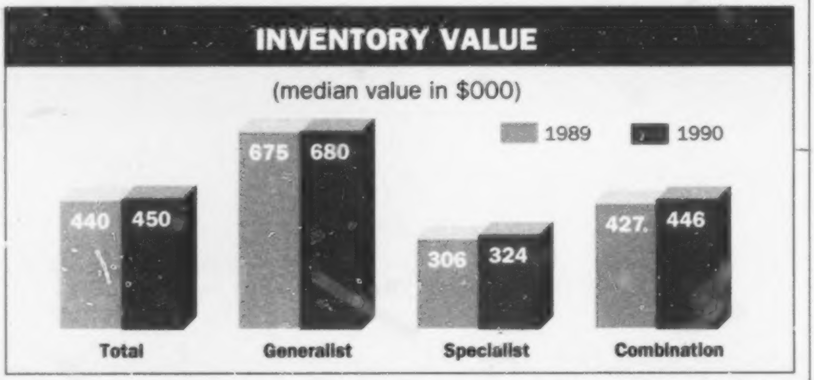
Source: Industrial Distribution

The specialty houses distinguished themselves last year in the inventory turn arena. In terms of median numbers, the specialists outperformed the overall group by one-half of a turn, 5.2 to 4.7. The generalists turned their inventory 4.7 times, while the combination houses stood at 4.5.

Inventory value increased 2% from 1989 to 1990. The general liners held steady, while the specialty houses increased inventories by 6%, and the combination houses upped inventories by 5%. Broken down by sales, the under $1 million houses cut their inventories by 5%, while the $1- 4.99 million firms ticked up 2 percentage points and the $5 million+ firms increased by 5%. What does this mean? Two possibilities. Number one, distributors are being cautious. Number two, suppliers are helping distributors keep inventories down to meet customer JIT needs.



MEDIAN INVENTORY TURNS



INVENTORY VALUE

Source: Industrial Distribution

Metal Working Fluids

FISKE
FISKE
FISKE
FISKE
FISKE
FISKE®

Give your customers freedom of choice with a variety of quality fluids and convenient packaging.

405 CUTTING OIL
This premium dark pipe threading oil is recommended for use on low or high carbon steels, alloys and stainless steels where difficult conditions of service are encountered.

1230 CUTTING OIL
A clear, transparent oil for greater visibility.

NO. 35 SOLUBLE OIL
A quality, general purpose, water soluble cutting oil for a stable, milky white emulsion.

METSOL
For cutting and grinding when biodegradability is the major concern. Forms transparent emulsion or may also be used straight.

All Fiske Metal Working Fluids are available in 1 gallon jugs, 5 gallon pails, 16 and 55 gallon drums.

Fiske Brothers Refining Company / 129 Lockwood Street / Newark, NJ 07105
Newark Plant 201-589-9150 or FAX 201-589-4432 / Toledo Plant 419-691-2491 or FAX 419-693-3806

Quality & Performance Since 1870

► CIRCLE NO. 18

Important Facts About the Survey

Methodology

The data for this year's *Survey* was compiled by a research group hired by **ID**. Taking their lead from a questionnaire compiled by the editors, the researchers conducted 350 telephone interviews, 150 with general liners, 150 with specialists and 50 with owners of combination houses. The list included distributors from almost every segment of the industry, and every size and type. Companies were selected randomly from the magazine's subscription list.

Distributor types are defined as follows: Generalist (42%)—no one product category contributes 50% or more to total sales; Specialist (42.3%)—more than 50% of total sales comes from one major product category; Combination House (15.7%)—sells product to industrial and non-industrial markets while also wholesaling product. Statistical assistance was provided by Cahners Research, which estimates the *Survey's* margin of error as ± 6%.

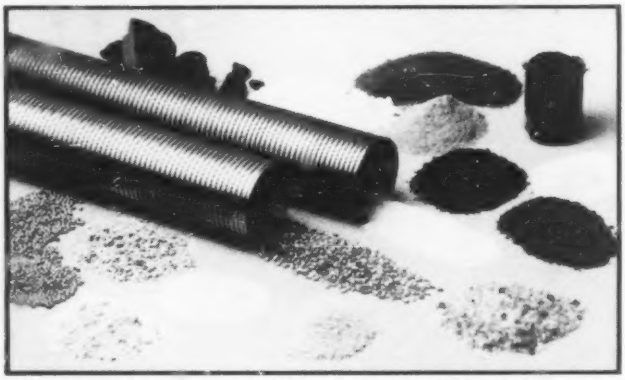
Medians and averages

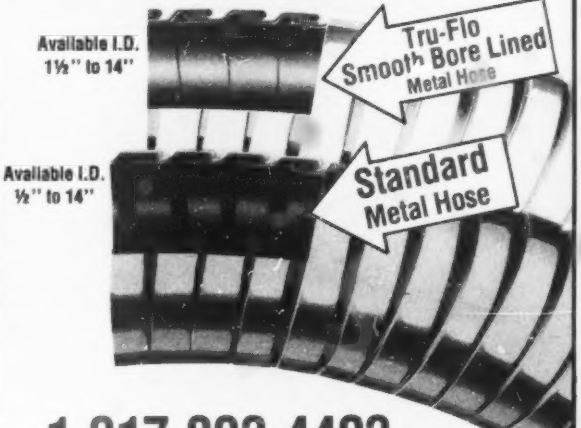
To enhance the value of data in this report, readers will find some numbers expressed as medians, others as averages. Medians define the midpoint in a statistical range—half of any group will be larger than the median, and half smaller. Medians are generally used on open-ended questions, are more representative of a group, and are less distorted by extremes. An average is simply the sum of one group divided by its total number of respondents.

How to order the Survey

The *45th Annual Survey of Distributor Operations* is a 100+ page report containing original statistics on general line, specialty and combination distributors. Operations are measured by type of firm, sales size, and by six geographic regions. Its contents are divided by sales and profits, gross margins, management, personnel, computers, and inventory and receivables. A copy is $195 prepaid. This price includes postage. Send your check to Diane Doucette, **ID**, P.O. Box 37, Boston, Mass. 02258, or call (617) 558-4346. ID

Tru-Flex Is The Leader
In Flexible Metal Hose!





For dependable, quality flexible metal hose, call Tru-Flex Metal Hose Corp. Standard and Tru-Flo Smooth Bore Lined flexible metal hose are manufactured for many applications and product transference:
- Air Intake/Exhaust
- Pellets/Grains
- Powders/Dust
- Semi Liquid
- Fly Ash
- Tar & Asphalt
- Chimney Liners
- Truck & Automotive Exhaust

Tru-Flo metal hose can be manufactured from various grades of stainless steel, galvanized steel, aluminum, and carbon steel. Custom lengths and connectors are available upon request. For more information and pricing, **1-317-893-4403; FAX: 1-317-893-4114.**

1-317-893-4403

TRU-FLEX
METAL HOSE
CORP.
Since 1962
Highways 263 & 28 • Box 247 • West Lebanon, IN 47991

INDUSTRIAL DISTRIBUTION

BUSINESS REPORT

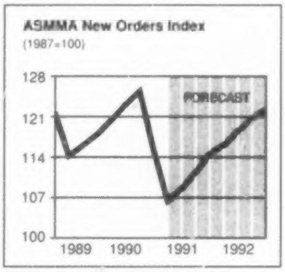
By Paul Waters

OEM recovery on the horizon

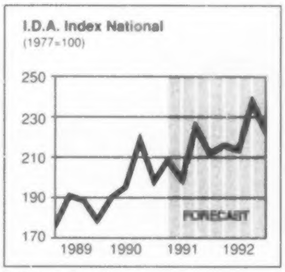
Steady growth for this sector into '93.

Output in the original equipment manufacturing (OEM) sector continues sluggish. Cash flow problems are delaying investments among capital equipment and transportation producers. The production of engines and turbines, however, has benefited from commercial aviation, heavy construction, and military activity. Farm machinery output has been flat after registering solid gains throughout 1990.

Two other industries registering upticks in the first quarter were computers and office equipment and metalworking machinery. The computer sector has performed well, since the cheap dollar and overseas expansion have spurred exports.



Data source: AS MMA
Forecast source: Cahners Economics

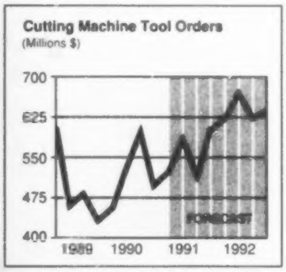


Data source: I.D.A.
Forecast source: Cahners Economics

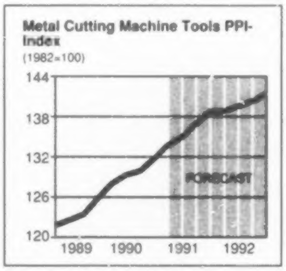
Machine tools, which account for the bulk of metalworking machinery, are at the tail end of an expansion that peaked in 1988 and 1989. The current slowdown, however, will last only through this year. Total machine tool orders will rise 5% this year before jumping 11.1% in 1992. Most of the strength will be in cutting machines; expect a 6.7% jump in bookings this year and a 14.7% surge in 1992. Forming machine orders, on the other hand, will rise just 1% in 1991 and 2.2% in 1992. Prices on machine tools skyrocketed during the last expansion; in 1990, tags on metal cutting tools jumped 5.1%, while metal forming tool prices surged 9%. For 1991, expect prices to rise 4.9% and 3.8% on metal cutting and forming tools respectively. Inflation will be flat on machine tools in 1992.

The fabricated metals industries are bending under the recession's weight, with output expected to slide 3.6% this year. Next year's rebound, however, will bring 5.8% growth to the sector. Not surprisingly, weak end market demand will pull down hardware and tools production by 5.1% in 1991. Next year, however, the industry will manage a 1.3% production hike.

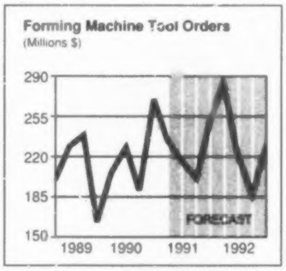
The bottom line is that the OEM sector will rebound by the end of the year, along with most other manufacturing industries. Export growth will be dampened a little by the rising dollar, but, by the time the European and Asian economies take off in 1992, the expansion will be in full swing in the U.S. The OEM side of manufacturing should see steady growth into '93.



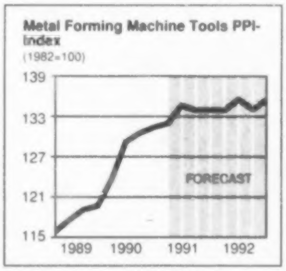
Data source: National Machine Tool Builders Assn
Forecast source: Cahners Economics



Data source: Bureau or Labor Statistics
Forecast source: Cahners Economics



Data source: National Machine Tool Builders Assn
Forecast source: Cahners Economics



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Apr. 1991	Mar. 1991	Apr. '91 vs Apr. '90 % change	Apr. 1991 days	Apr.-Mar. 1991 % change
TOTAL	193.7	203.3	2.2	46.8	−1.0
EAST	209.2	197.6	33.0	42.4	−1.5
SOUTH	279.4	323.0	5.7	51.1	−0.7
CENTRAL	154.8	153.0	−5.6	44.2	−1.1
WEST	204.6	205.4	5.7	44.6	−0.2

SOURCE: Industrial Distribution Assn

CLIFTON'S VIEW

By Robert G. Clifton

Sales are taking a third direct hit

Recession, imports, and now the auto sales slump season is here.

My June column focused on our automotive trade deficit and how it adversely impacts distributors when foreign goods substitute for those made in America. In addition to those factors hurting sales, we are now in the slack season for domestic auto sales.

We have fresh figures of those slowed sales to track, as the highly important domestic car and truck industry releases sales statistics every ten days.

April sales of domestically made vehicles were down 13% from April, 1990. Sales for the "Big Three," General Motors, Ford and Chrysler were down 16%. But the seven Japanese companies dropped only 4% in sales (see chart). The Japanese companies also increased their share of the U.S. domestic auto market from 24 to 26%. And the worst news is that the Big Three reported a combined loss of $2.3 billion in the first quarter, a record high.

However, car sales are subject to wide swings in demand. That's why auto stocks are labelled "cyclical" by Wall Street gurus. Being cyclical, auto sales can rebound high and fast when the consumer decides it's time to buy.

Some factors which will help this eagerly awaited upswing are lower interest rates, stabilized gas prices, and a widening perception that the quality improvement drive is real, not advertising puffery. It is also a time when the buyer has heavy leverage in bargaining prices with the dealer.

On the other hand, the quality revolution, while absolutely necessary for the U.S. companies to fend off foreign competition, has a two-edged market effect. Cars don't have to be replaced as frequently, because they hold up much better and have more durable engines. Also, the reduced emphasis on annual model changes gives the buyer one more reason to stay out of the dealers' showrooms. A main reason for less drastic model changes is the enormous cost of retooling.

One bright spot in the auto news is the drastically reduced sales of foreign luxury cars. Sales on those cars have been hit a one-two punch by the new federal luxury goods tax and a doubling of the tax on "gas guzzlers." Porsche and Jaguar sales are both off 54% this year and Mercedes sales are down 22%.

While slumping sales hit the makers of end products first, the impact quickly moves back the line of supply to distributors and original manufacturers.

Wnat is the impact on a distributor who relies on the auto companies as customers? George Hall, marketing manager for Hall Industries, Detroit, says that recently they've been approached by auto companies with requests that suppliers lower product costs on a scheduled annual basis. Hall presents those requests to his suppliers, and based on the degree of help and protection offered by the supplier manufacturers, prepares to negotiate contracts with the auto companies. "Some suppliers are able to be flexible while others are not," states Hall. "Our negotiating team lays the information on the table to the auto companies with the expressed hope that we can retain long term supply contracts." He adds, "We walk the last mile to show them we make every effort to fulfill their requirements."

Is there help at hand, preferably in the form of a rebound in domestic auto sales? The answers to this very big question are hard to come by. But even more elusive is a national consensus on which solutions will work to the mutual benefit of all concerned.

APRIL AUTOMOBILE SALES/CHANGES*

Manufacturer	1991	Change from '90
GM	249,974	– 18.4%
Ford	135 907	– 26.8
Chrysler	52,633	– 19.9
American Honda	69,177	– 8.7
Isuzu	1,284	+ 319.9
Mazda	25,197	+ 14.2
Mitsubishi	17,122	+ 14.5
Nissan	35,389	– 6.1
Subaru	9,898	+ 1.2
Toyota	54,682	– 18.7

*Percentage changes based on per-day sales.

Sources: Industrial Distribution, The Philadelphia Inquirer.

C1850-4 A

AUG.
1991
A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FO[illegible]RIBUTORS

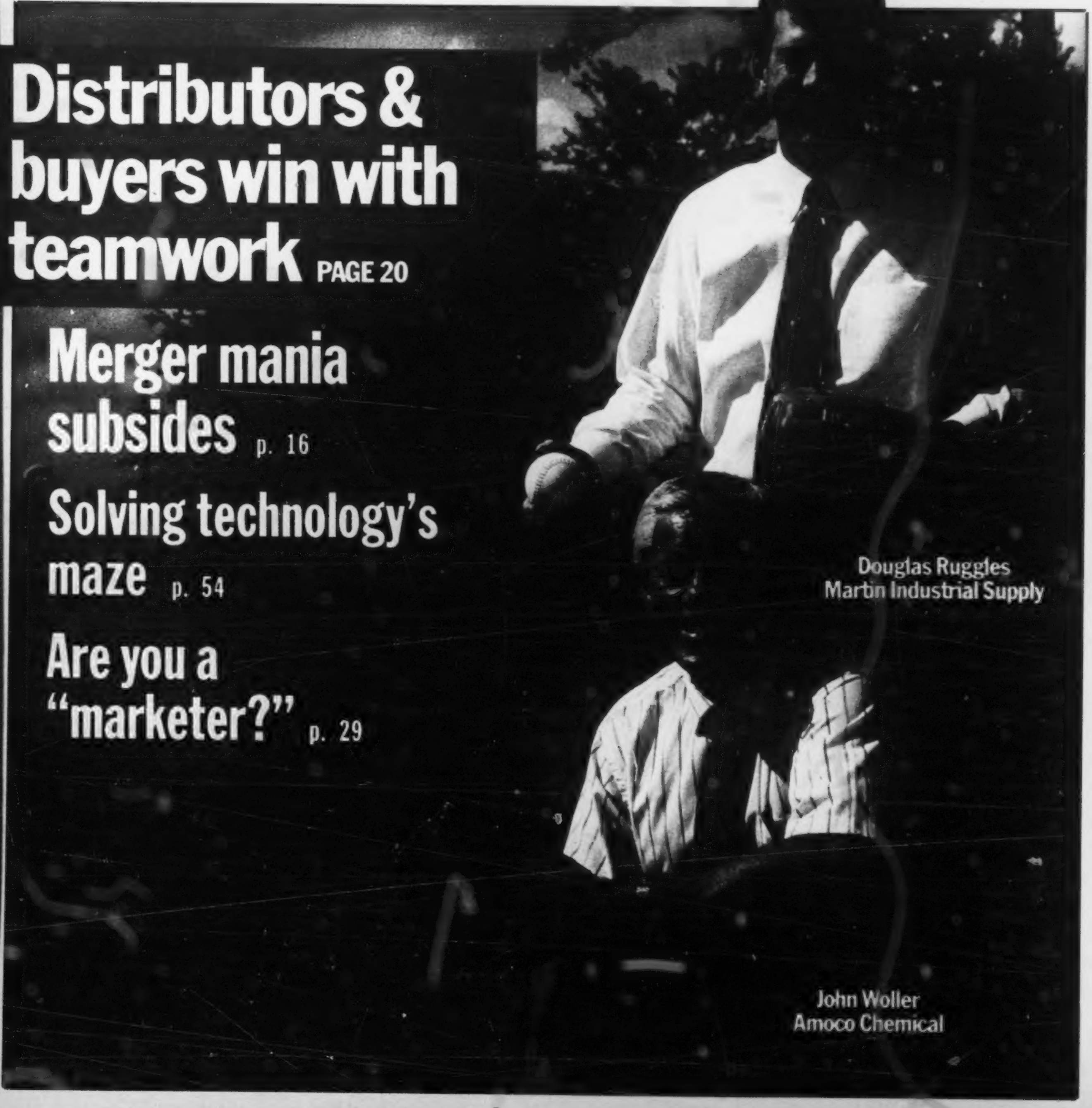
EXCLUSIVE
Computers for the '90s . . . p. S1

Distributors & buyers win with teamwork PAGE 20

Merger mania subsides p. 16

Solving technology's maze p. 54

Are you a "marketer?" p. 29



Douglas Ruggles
Martin Industrial Supply

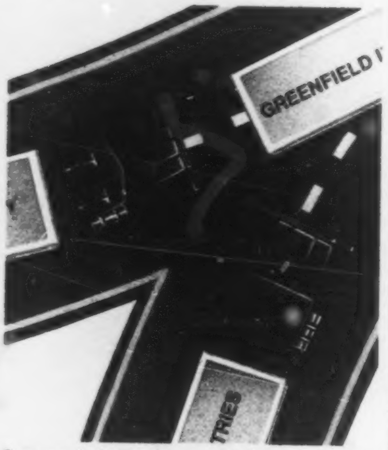
John Woller
Amoco Chemical

AUG.
1991
A CAHNERS PUBLICATION
Vol 80, No.10

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

John Scroggins and Douglas Ruggles have gone beyond partnering—they're teammates.—p. 20



Our panel of experts says that the urge to merge is only temporarily snarled in an economic traffic jam.—p. 16

A&M Industrial shows how service leads to continual growth in the valve sector.—p. 25

FEATURES

16 Merger traffic slows to a crawl
A credit crunch and an economic downturn has caused a drop off in mergers. But a panel of experts tell ID that the slowdown is only temporary.

20 Buyers & Distributors: It's time for teamwork
Purchasing pros and their distributor partners share insights into what makes a good business relationship. Quality and total cost to delivery and availability are listed as top priorities.

25 A year of uncertainty for valves
Recovery from the recession is just beginning for the valve market. But one distributor in New Jersey continues to grow at the rate of 10 to 15% per year. Here's how he and his staff do it.

MANAGEMENT

7 Editorial
Enough talk about service and quality.

29 Pacesetters
R.C. Randlett, Milwaukee Electric Tool Corp.

53 Business Report

54 Clifton's View
Technology advice for distributors.

PROFITABLE IDEAS

33 Computers
Desktop publishing takes distribution by storm.

35 Products for Profit
New products you can sell.

NEXT MONTH: In an exclusive report, ID details how a distributor dealt with the problem of theft from his company.

DISTRIBUTOR'S UPDATE

5 At Press Time
McCally gets Desert Storm tribute; Sun eyes Mexico; Safety Socket wins award; New I.D.A. videotapes ; SKF expands in U.S.

11 News
Aircom pleads guilty to bogus bolt charges; ASMMA members attend Kuwait City trade show; Danaher forms new industrial group; Johnstone co-op hits 10-year mark.

14 Letters

30 Calendar

30 Association News

SALES & MISC.

31 Strictly for Sales
The importance of being a strategic seller.

49 Business Staff

50 Classified Marketplace

Industrial Distribution®, (ISSN 0019-8153, GST Reg #123397457) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President, Frank Sibley, Executive Vice President, Jerry D. Neth, Senior Vice President/Publishing Operations, J.J. Walsh, Senior Vice President/Finance, Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing, Ralph Knupp, Vice President/Human Resources. INDUSTRIAL DISTRIBUTION® is a registered trademark of Reed Properties Inc., used under license. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.** INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA, Ronald G. Segal, Chairman and Chief Executive Officer, Robert L. Krakoff, President and Chief Operating Officer, William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $64.95 per year, Mexico, $99.95 per year, Canada, $106.95 per year, all other countries, $109.95 per year for surface mail, $229.95 per year for air mail. Subscriptions include all issues. Except for special issues where price changes are indicated, single copies are available for $15. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800. **REPRINTS:** For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 635-8800

Buyers & Distributors:

It's time for teamwork

Partnering, quality and total cost take center stage as the distributor base diminishes. In selling to purchasing, the shift calls for a whole new approach. Are you ready for the challenge?

Christine Forbes, Associate Editor

"T*o say there has been significant change in the industry is to put it mildly*"—Michael Kinder, CPM, vice president of Moore Langen Printing, Inc.

"The overall business environment has changed remarkably"—George R.A. Milne, CPM, vice president of purchasing for the Plumbing Products Division of Masco Corp., The Delta Faucet Co.

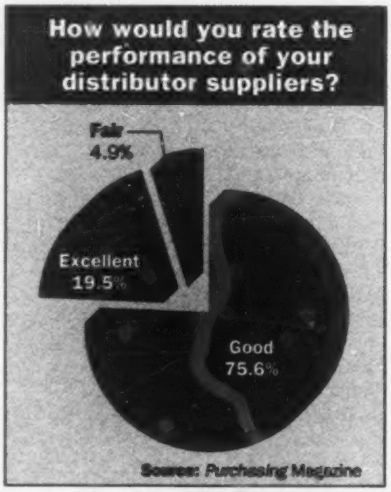
"Over the past five years, there has been a 20% change in basic duties and the importance of the roles those responsibilities play."—R. Jerry Baker, CPM, executive vice president of the National Association of Purchasing Management (NAPM).

"Change in the industry has been profound, and it will continue to be dramatic. There will be as much change in the next five years as there was in all of the past 20 years combined. The future is rushing to meet us."—Brian Reynolds, director of the quality process, Briggs-Weaver, Inc.

It's unanimous. Purchasing managers and distributors alike agree. The wind has shifted. Distribution and purchasing are playing on a different field with a whole new set of rules and equipment. The game has gone from one of primarily inventory management and sales to value-added and total quality management. Some might say it's like going from Little League right into the majors.

Clearly, to say the distribution and purchasing game is new is a gross understatement. You see it every day and industry numbers prove it. But, that doesn't make connecting for a round tripper any easier. That's why we've talked to purchasing managers and distributors all over the country. In this feature we spotlight the issues that play critical roles in your business and the business of your purchasing counterparts. Read on—what we learned just might surprise you . . .

How would you rate the performance of your distributor suppliers?



Source: *Purchasing Magazine*

The most profound change that has taken place in the industry in the past several years is the trend towards a smaller supplier base. According to Jack O'Connor, the publisher of *Purchasing* magazine, "More sharp purchasing departments are forging stronger, tighter, longer-term relationships with key

Playing together as members of the same team, Martin Supply's Douglas Ruggles and John Woller of Amoco turn purchasing and distribution into a winning game.

Charles Beck

suppliers." GTE, for example, cut its distributor base from 28,000 to 3,000. And NCR does business with 46% fewer distributors today than it did in 1985. And the list of trend-setting companies doesn't end there. Including the likes of GE, Amoco and Motorola, the ranks swell daily as the benefits of such a practice are revealed.

Just what are the benefits? George R.A. Milne, CPM, vice president of purchasing for the Plumbing Products Division of Masco Corp. (The Delta Faucet Co.) in Indianapolis, Ind., estimates that his company depleted its supplier base by 1/3 over the past several years. Primary reasons for the change include efficiency and cost. He offers his firm's copier supplier as a prime example. "We used to have three different makes and models of copiers, and it made no sense," he says. "To repair and maintain the equipment, we had to call in a different company each time, and accounting had to process the accounts accordingly." To curtail these incidental fees and to improve operational efficiency, Delta selected one supplier, and now the company is beginning to mirror these practices in other branches of the business, including MRO. "A smaller supplier base is the way of the future in MRO," Milne predicts.

Bob Haffty, CPIM, procurement manager for Raytheon Missile Systems Laboratory in Tewksbury, Mass., views a diminished supplier base as the most viable option for his company for the same reasons. "We are contracting our supplier base now by identifying the 'best and the brightest' and focusing our business on these few distributors," Haffty says. "With too many suppliers on our data base, performance tracking becomes fragmented and less conclusive. But, cutting the base enables us to monitor and control our costs, and to get the most efficient suppliers in each segment."

Incidental costs add up, there's no doubt about it. But, the trend that's

Construction Services' John Scroggins and Douglas Ruggles of Martin Supply take their purchasing and distribution relationship one step at a time.

fueling the move to a trimmer supplier base is called total cost. "Today, price means what a product costs to obtain, handle and receive more than what the product itself costs," says R. Jerry Baker, CPM, executive vice president of the National Association of Purchasing Management (NAPM) in Tempe, Ariz. The emphasis has deviated from the short-term charges on each item to the price levied on downtime due to late delivery, poor service, or faulty parts. And, according to purchasing professionals, developing fewer long-term relationships makes achieving the lowest total cost possible. "Don't get me wrong, price is still important," explains Kinder. "But, we're more willing now to pay a higher single purchase price when better total cost benefits are guaranteed."

Partners in success

While cost and efficiency rank high on the list of advantages of a tighter supplier base, the repertoire of additional benefits goes on and on. One of those benefits is also a current industry buzz word—partnering. Cutting the supplier base affords companies the opportunity to develop stronger relationships—or partnerships—than would otherwise be possible.

Douglas Ruggles, account manager for Martin Industrial Supply's Decatur, Ala. branch, experiences the benefits of partnering first hand, thanks to the firm's relationship with Amoco Chemical in the same city. In a partnering relationship with Amoco since 1967, Martin's Decatur branch is located in an existing building on Amoco property. In the unique relationship, Martin inventories and services the chemical account, but doesn't deliver product. "They pick up daily from our warehouse," Ruggles reports. However, there's a lot more to this picture than meets the eye.

Because of the nature of the partnership—and thanks to a lot of conscientious effort—Martin and Amoco work harmoniously. John Woller, materials management supervisor for Amoco says, "We have a mutual understanding of one another's requirements. Because of that we're in the position to lower Martin's costs, and they are in a position to lower ours. That, in turn, gives us better value at a lower cost."

But, money isn't the only factor that comes into play. Woller salutes partnerships for all the other advantages they afford as well. "With partners like Martin, we are practically guaranteed quality, reliability, accuracy, competitive pricing, and value," Woller says. "And frankly, that's the name of the game in purchasing."

Milne concurs with Woller wholeheartedly. Delta cut its supplier base by category—selecting distributors to fill all requirements in sub-groups. In the fasteners area, for example, the company eliminated the need to continually change and monitor suppliers by setting up partnerships with a select few. In the current arrangement, one fastener distributor is contracted to maintain Delta's inventory—going right to the crib twice per week to make sure required stocks are available. At the end of the month, only one purchase order listing one line item ("fasteners") is sent. "The system eliminates seven p.o.'s per week as well as the typing of nearly 100 line items," Milne explains. "In this situation, the distributor becomes a more important player. We depend upon him solely for support."

Decisions, decisions

The move towards partnering exemplified by Delta Faucet and Amoco represents a monumental change in the industry. As Ruggles explains, "In many ways, it's gone from an adversarial mentality, to a mutually beneficial arrangement that allows partnering to happen." But, distributors and purchasing professionals alike agree that a whole slew of factors prompted the emergence of the trend. And, these elements serve as examples of change as well.

One of those factors is the growing emphasis on value-added services. In a recent survey conducted by the Industrial Distribution Assn. (I.D.A.), 70% of the purchasing professionals polled view distributors as a value-added service. And, Don Ruggles, president of Martin Supply couldn't agree more, "Selling value-added service is what distribution is all about," he notes.

In the power transmission industry, value-added means application and engineering support. Contrastly, in other industries, value-added may mean a physical adaptation to a product such as lining for a pipe. And, according to many distributors—the demand from purchasing for these unique services is mounting. "There has been an increase in the need for general value-added services in the industry," notes Tom Volk, president of Ohio Belting & Transmission in Toledo, Ohio. Woller concurs, "There are so many issues factored into the purchasing formula and value-added is an increasingly important one," he says. "We certainly look to our distributors for these services."

Volk reports that while this is true in some cases, he also sees shortfalls in the value-added area. Called in by an engineer to solve an operations problem, Volk and his staff engineer went to the plant and solved the problem with equipment from five different companies. They set a unit price for the equipment needed and when they hadn't received the order a week later, Volk called purchasing. They told him the company bought the equipment from five different distributors for a lower price per unit. "The price was 5% lower than mine in the end—but we provided the service to develop the program in the first place," he says. "Manufacturers are becoming better at recognizing the role of these services, but some have a long way to go."

The quality crunch

According to *Purchasing* magazine, currently the most important demand from customers is on the quality front.

And it's easy to see why. As Liston Coggins, purchasing agent for Decatur-based Matthews Industries says, "In order to sell quality to our customers, we have to stress quality with our vendors. After all, you can't take junk and make quality out of it!" So now the question is, what's quality?

From a purchasing manager's perspective, quality could mean everything from delivery and availability to product performance and customer service. And, guess what? It usually does. "The demands being placed upon distributors today are profound," says NAPM's Baker.

Perhaps no one knows that truth better than Brian Reynolds, director of the quality process at Briggs-Weaver in Dallas. Since beginning at the general-line company several years ago, Reynolds has been tracking the needs of the customer as they relate to quality. Part of that effort was a recent customer quality forum in which Briggs-Weaver brought 20 customers with buying influence to Dallas to address current and future requirements on the quality front.

Everything from on-time delivery and commitment to the quality process to innovation and value-added services made the list of top 10 requirements. "It seems clear that the quality process is an excellent way for a distributor to position itself in this competitive market," Reynolds notes. "There were no real surprises. They all want the same thing—the trick is figuring out how to deliver it," says Reynolds.

Our research brought largely the same results as Briggs-Weaver's. Like them, we found that quality requirements vary sharply according to the size of the customer, his needs, the extent to which he has implemented the quality process, and the nature of the business.

Amoco, for example, not only wants quality performance from its distributors, the company demands it. Through a system of plant-wide supplier measurements, Amoco monitors distributor non-conformance, factoring such variables as delivery, availability, customer service, product quality, administrative errors, etc. "Those who don't conform to our standards are gone—it's as simple as that," notes Woller. "The system eliminates the bad guy and makes the good guy the survivor." According to the SPC results posted on Woller's wall, the system is doing its job. From August 1990 to April 1991, non-conformance costs among vendors has plummeted by 60%.

At Raytheon, another sizable player in the purchasing game, "quality plays a strong role." Haffty says. "With many distributors vying for your business, it's usually a simple matter to switch to one who provides quality product and service rather than to stay with one who doesn't."

But, what about at the smaller houses where price is the first order of business? John Scroggins, shop

Insights from purchasing pros

One sticky day in late May, ID went on the road with Douglas Ruggles, account manager for the Decatur, Ala. branch of Martin Industrial Supply. We travelled from the internationally known Amoco Chemical Company to a small specialty construction firm called Construction Services, Inc. And, the mission? To get a first-hand look at the buyer/distributor relationship, and to find out what elements of that relationship mean the most.

We met six purchasing professionals that day from businesses of varying size and specialization . . . and this is what they said.

Name: John Woller
Title: Materials Management Supervisor
Company: Amoco Chemical/Decatur
Top Priorities: Quality, customer service, value, delivery, continuous improvement
Quote: "Continuous improvement is the name of the game. 0% error is out there somewhere!"

Names: Bill Barnes, Brenda Rutherford
Titles: Materials Manager, Purchasing Assistant
Company: American Fructose Corp.
Top Priorities: Total cost, delivery, local stock, qualified staff, technical expertise
Quote: "We look for our distributors to be progressive and aggressive."—Barnes

Name: Mary White
Title: Buyer
Company: Fluor Daniels
Top Priorities: Total cost, delivery, straight-forward approach to selling, technical assistance
Quote: "The key is to get to know distributors and let them know what you expect. Then you can let them know you mean business."

Name: John Scroggins
Title: Shop Purchasing Agent
Company: Construction Services, Inc.
Top Priorities: Understanding of the business, price, immediate availability, technical assistance, qualified, courteous staff, strong working relationship
Quote: "A good distributor either knows the answers or he knows how to get them."

Name: Liston Coggins
Title: Purchasing Agent
Company: Matthews Industries, Inc.
Top Priorities: Commitment to quality, total cost, local stock, delivery, open communication, technical support
Quote: "In this business, you have to strike while the iron's hot, or you lose. That's why I want what I asked for on the day I asked for it—bottom line."

Do you believe in magic ?

After using Clear Magic you will Clear Magic Industrial Strength is a powerful, concentrated industrial strength cleaner designed to remove oil, grease, dirt and grime safely from any washable surface.

Unlike other specialized cleaners that have limited applications Clear Magic's Industrial Strength formula can be used for hundreds of different uses. Its safe, non-toxic formula has the approval of the USDA for use in federally inspected meat and poultry plants, yet it's powerful enough to degrease engines and storage tanks.

Clear Magic Industrial Strength

- Environmentally Safe
- Non-toxic
- Biodegradable
- Non-flammable
- Non-corrosive
- Non-abrasive

Not only is Clear Magic the most effective product on the market, its price beats many inferior products in the category. Put Clear Magic to work for you. There really is a difference.

Clear Magic Industrial Products
Division of Blue Coral, Inc.
Los Angeles, CA (800) 446-2529
Cleveland, OH (800) 321-8577
Buffalo, NY (800) 231-1020

CLEAR MAGIC

©1990 Blue Coral, Inc.

purchasing agent for Decatur-based Construction Services, Inc., notes that quality is important, but purchase price and availability are often paramount. "For us, the difference between high quality and low quality is often negligible," he says. "I pay the low price when I can—and I do demand competitive rates. But, I'll pay the higher price if I have to. The bottom line is that the product is no good to me if I don't have it."

What's missing?

In a recent survey conducted by *Purchasing* magazine, 1,000 purchasing respondents were asked to rate the performance of their distributors. According to the study results, 75.6% of purchasing managers rate their distributors' performance as good; 4.9% rate their performance as fair; and 19.5% report excellent performance from their distributors. At ID, we were curious as to why only about 20% of distributors rated in the excellent range . . . so we looked into the reasons.

Purchasing's Top 10 Priorities

1. Quality
2. Service
3. Total cost
4. Delivery
5. Availability
6. Price
7. Technical assistance
8. Ease of doing business
9. Quality of lines
10. Electronic data interchange

According to many purchasing managers, one area where distributors fall behind is communication. They report that distributors often fail to investigate the needs and wants of the customer. "It's purchasing's job to set standards, and distribution's job to meet them. But, if the distributors aren't aware of what's expected, they can't possibly do their jobs," asserts Kinder. He suggests that not only outside sales and management, but also inside sales and other members of the staff would benefit knowing their customers. "They need to understand where purchasing is coming from too," he says.

Don Ruggles points out that it's also critical for distributors to make purchasing managers aware of their own limitations. "Distributors need to toot their own horn about what they can do," he says. "But, they need to communicate about what they can't deliver too."

Under the guise of distributor/buyer communication comes the mediums of communication. Technological channels like electronic data interchange (EDI) come high on the priority lists of many purchasing professionals who seek error-free, less costly, and more efficient communication. And, in many cases, the EDI call is one that's going unanswered. "Distributors need to be more open to EDI because we are beginning to require it," says Haffty. "It will become an obstacle if they don't."

Education and technical ability are other areas where purchasing says distribution is lacking. "Engineering and technical support has fallen to the wayside," contends Milne. "We look to our distributors to provide this kind of information and assistance—particularly as our own staffs are being reduced." Brenda Rutherford, purchasing assistant for American Fructose Corp. in Decatur agrees. "In this business, we buy so many things that there's just no way we could know exactly what we need in every situation, not to mention how everything works. We count on our distributors extensively for this kind of help," she says.

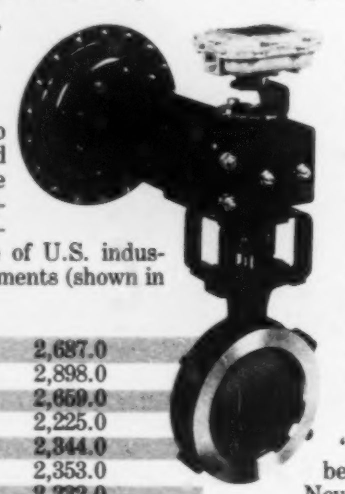
What does purchasing seek specifically? According to Milne, new product information is critical. "One of our distributors introduced a reusable container I'd never seen. We've been using it ever since and it saves money. I'd like to see more of that from other distributors," he says. Other buyers rank knowledge of the product, its applications and its uses high on the list. Haffty adds, "I feel strongly that distributors should do their own screening to determine which products are best and most cost-efficient. Only then should they be added to their lines."

Everything from total quality and strong partnering to better lines and an improved ability to apply them ring in the ears of distributors daily. It's clear. Purchasing's demands are up—but so is the ability to profit from those demands. Yes, the game has changed. But that just means strategies have to change with them. To win, you might have to throw a curve ball instead of a fast ball. Are you ready for the challenge? ID

A year of uncertainty for valves

But any hard times in the pipe, valves and fittings market are only a stimulant for A&M Industrial Supply in Rahway, N.J.

By Douglas C. Harper, Contributing Editor



Like an aging movie star wondering if she can still play the leading role that made her famous, the industrial valve industry is looking back wistfully to its glory days of the early 1980s. And it frankly admits that it is facing an unknown and somewhat perilous future.

Writing in the Winter issue of *Valve Magazine*, published by the Washington-based Valve Manufacturers Assn. of America (VMA), Daniel L. DeSantis, the organization's chairman, titled his article "A Year of Uncertainty."

In his conclusion, DeSantis wrote, "I would suggest that 1991 could turn out to be a milestone in our cherished history, where we turned adversity into opportunity, confused the economists, and proved once again the power of positive thinking. My hope is that the valve industry can lead this effort in a dynamic and vigorous way."

But judged by its performance since 1981, the valve industry needs all of the positive thinking and action that it can muster.

According to statistics released by the VMA, the last decade produced the following dollar value of U.S. industrial valves shipments (shown in $ millions):

1980	2,687.0
1981	2,898.0
1982	2,659.0
1983	2,225.0
1984	2,344.0
1985	2,353.0
1986	2,232.0
1987	2,207.0
1988	2,481.0
1989	2,596.0
1990	2,629.7

The statistical message is not overly encouraging. In four of the last ten years, shipments compared to the previous year showed a decrease. And 1990—the best year since 1983—still accounted for $268.3 million less than 1981, the best year of the decade even though totals are shown in real dollars, unadjusted for inflation.

Equally unsettling is the fact that between 1980 and 1990, valve exports rose from $760 million to $889 million and valve imports increased from $760 million to $1.12 billion.

The road ahead

According to Mr. DeSantis, who is also president and CEO of Neles-Jamesbury, a valve manufacturer headquartered in Worcester, Mass., the slump that occurred in the mid-80s was at least partially attributable to the strength of the dollar which stifled exports and encouraged imports.

"Most valve companies were in difficulty and the industry was only operating at about 58% of its capacity," DeSantis notes.

But, he says, the turnaround began in 1988. "The dollar weakened and, at the same time, a lot of valve companies had become much leaner in terms of organization during the recessionary period. So as the economy began to improve, the industry started to recover lost ground," DeSantis points out.

Still, recovery from the recession is only beginning, and that's why 1991 is a year of uncertainty for the valve industry.

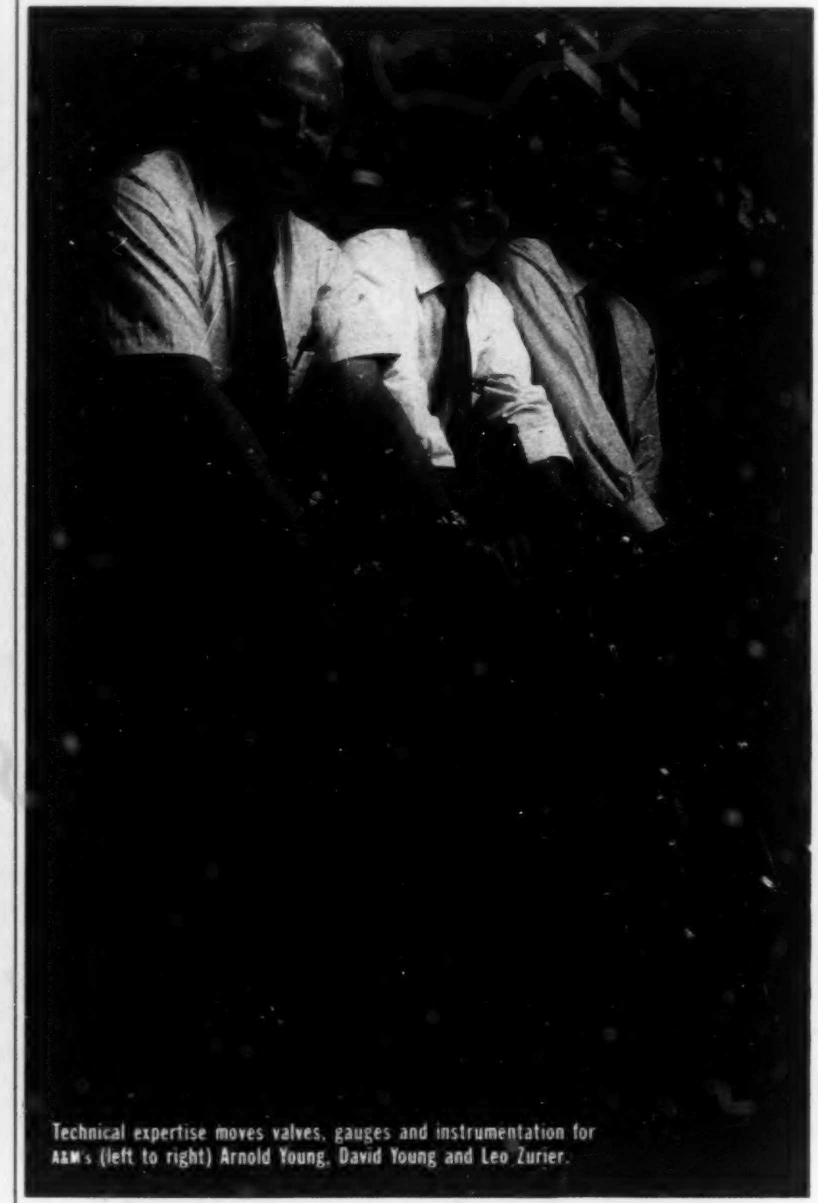
A&M weathers the storm

But one distributorship in New Jersey, A&M Industrial Supply in Rahway, has ridden out the recession without missing a beat by parlaying a dedication to service and its expertise in pipe, valves and fittings into a $14 million business.

"We grow at the rate of between 10 to 15% a year. Never any more in one year and seldom any less," says A&M's president and co-founder, 60-year old Arnold Young.

While it was discount competition that originally persuaded Young to leave the hardware business and venture into industrial distribution, pricing isn't his overriding concern.

"Ultimately, I don't think that the individual with the lowest price is the one who necessarily gets the business. It's more often the one who has the expertise and offers the service," says Young.



Technical expertise moves valves, gauges and instrumentation for A&M's (left to right) Arnold Young, David Young and Leo Zurier.

Jeffrey Vock

He notes that most of A&M's customers use various forms of Just-In-Time inventory and have come to expect next-day delivery.

"Only those distributors who have formidable inventories can handle that type of service. And it's going to become even more important in the years to come. One of our prime responsibilities is to locate an item and get it delivered on time," says Young .

Be ever so humble

But he also attributes success to a proletarian approach to business.

"We train our people to be humble," Young explains, "to always be receptive and to always think like a poor person, not think like a rich person. We tell each of our employees to think in terms of trying to help somebody in order to get their business, in order to gain their favor. And that's basically what I feel is our strength, the fact that we have an excellent relationship with the people we serve," he says.

But he also stresses that "personality and effort aren't the whole story." Young points out that even in the mundane world of pipe and valves, technical expertise is becoming increasingly important as the company gets more involved with instrumentation, control valves and gauges.

As a result, two of the company's 70 employees are salespeople with degrees in mechanical engineering.

With pipe, valves and fittings accounting for 65% of its sales, A&M's three most important markets are pharmaceutical manufacturing, petrochemicals and chemical companies, in that order. The remaining 35% of the company's business is a mix of cutting tools, abrasives, fasteners and other MRO supplies.

According to Young, much of the credit for A&M's success in its pipe and valve business belongs to Leo A. Zurier, the firm's industrial piping manager and vice president.

Zurier, who joined A&M in 1985, says that plumbing is a family tradition with his father and uncles working in the industry.

He reports that A&M is now diversifying into engineered high tech products, many of which didn't exist several years ago. "We do a big job in steam specialties. And we're selling a lot of corrosion-resistant fiberglass-reinforced plastics," he says.

Zurier sums up his version of the company's philosophy by saying "No matter what you're selling, as a distributor you have to be a service organization. That's the key: quality material, and most importantly, service. At the same time, you have to try to be as competitive as you can . . . without giving the store away."

From hardware to valves

A&M was founded in 1954 by Brooklyn-born 'A' for Arnold Young and 'M' for Michael Gerstman. The original business opened by the two partners was a retail hardware and variety store in Newark.

'It was basically hardware and housewares and we had some notions and some other things like books," recalls Young.

"In the early days we had no money and very little talent but we had a lot of chutzpah. We also had a lot of what you would call motivation," reports Young.

But the partners found it difficult, at first, to make money.

"We struggled, really struggled," reports Young. "We worked seven days a week, day and night, with no days off and no time off. And all the money we made in those days we reinvested into the company."

Because money was tight, the two partners decided to augment the income from the store by selling on weekends from booths set up in farmers markets located in the area. At the markets, the partners sold fishing tackle, hunting equipment, and "any kind of novelty items that we were able to pick up. We even sold Christmas trees, ornaments and lights," says Young.

But the partners soon saw the handwriting on the wall and it spelled "mass merchandising" and "discounters." As a result, in 1962 they sold their retail business and turned to industrial supply. Three years later the increasingly successful company moved from Newark to Elizabeth, New Jersey and in 1969 Arnold bought out his partner and Mike Gerstman retired to Israel.

By 1981, A&M had moved again from Elizabeth to the company's present 65,000 sq ft location in Rahway.

Arnold's only son, David,—now senior vice president—joined the business in 1985, three years after he graduated from New York University. And like Leo Zurier, David is an articulate apostle of Arnold's business credo.

"Everything in our business really boils down to the rapport that we can establish with a customer. And I think one of the reasons our sales have been able to expand the way they have over the last few years is because we work very hard at trying to build that rapport. We believe that our future growth depends on staying in close contact with our customers," David Young emphasizes.

'Everything in our business really boils down to the rapport that we can establish with a customer.'—David Young

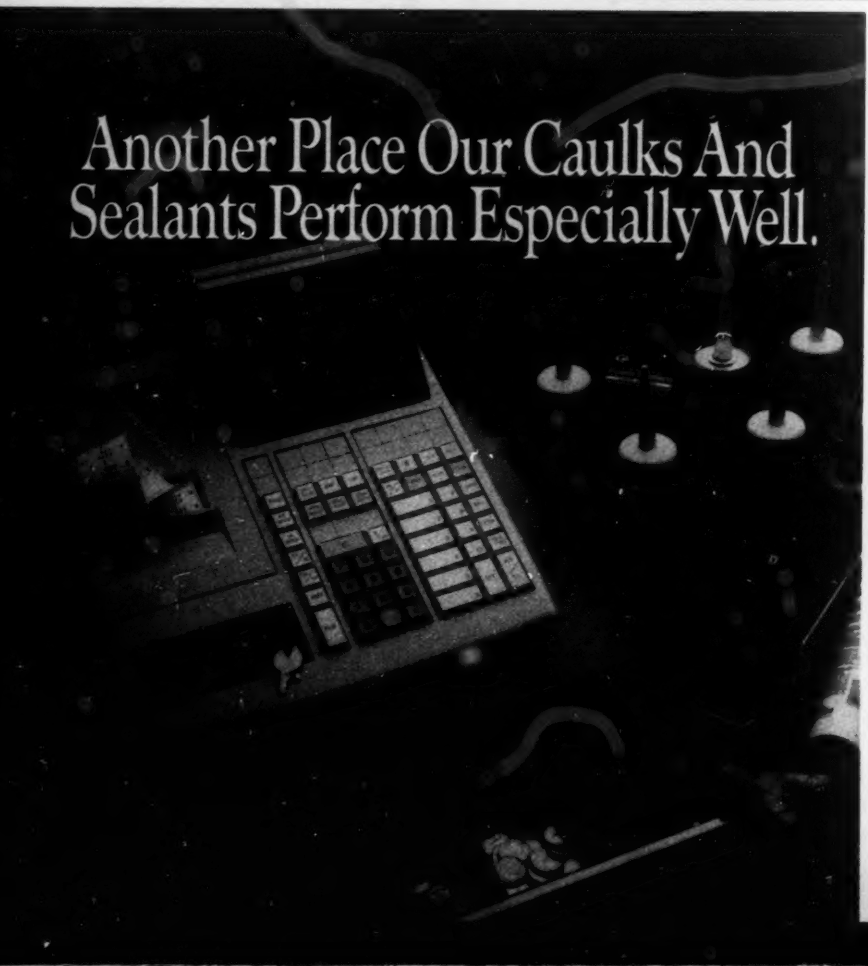
To look at Arnold Young today, you would assume that he is a man fulfilled, operating a successful company and grooming his son to take over the reins in the not too distant future. But retirement is the farthest thing from his mind.

"My dream one day is to put together a total package of industrial supplies, such as pipes and valves along with a good electrical supply business and a good bearing distributorship. We could form a network that would probably be the biggest and best industrial distributorship in the market because we literally could go into any industry and take most of their business. It would really be one-stop shopping," Arnold says.

The veteran says that industrial distribution will never be totally affected by a bad economy because we are so diverse. We're fortunate that we have products we can offer to a wide variety of industries. I always have the option of knowing that if people aren't buying pipe or valves, maybe we'll sell more cutting tools or more fasteners or something else altogether."

At this, you can't help thinking of Young and Gerstman selling Christmas trees 37 years ago when the hardware business got a little slow.

And you realize that for Arnold, it's the same game. The only difference now is that the ante has been raised to $14 million. ID



Another Place Our Caulks And Sealants Perform Especially Well.

It's easy to increase your sales with RED DEVIL® caulks and sealants. They're the consumable products your customers use every day for general maintenance, installation or production.

Red Devil offers the professional quality your customers demand. Like 100% RTV

Silicone Sealant, Insulating Foam Sealant, Celulon® Water Soluble Adhesive Sealant, and our special Clear Caulk.

In addition, our freestanding or countertop displays will generate impulse sales from your walk-in trade. Just call our Industrial Sales Department at 908-688-6900.

Red Devil®

Innovation is the tool of our trade.

2400 Vauxhall Road/Union, NJ 07083-1933/(908) 688-6900

► CIRCLE NO. 16

INDUSTRIAL DISTRIBUTION

BUSINESS REPORT

By Paul Waters

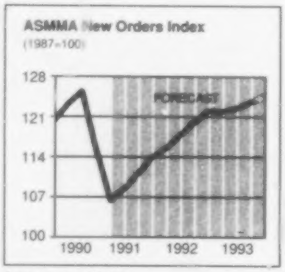
End to sliding leadtimes in 1991

Changes too small, however, to rekindle finished goods inflation.

The Cahners leadtime index of 125 industrial materials has finally shown signs of stopping its consistent slide.

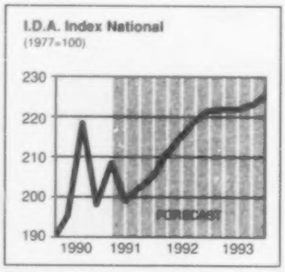
The feeling that a recovery began late in the second quarter is supported by leadtimes' recent movements; they have been stretching. The leadtime index in the first quarter of 1991 was 2% above levels in the same period in 1990; the first quarterly rise since early 1989. The forecast is for further small jumps in the second quarter, with the index beginning a steady upward march near summer's end.

Look for delivery times on components and materials to stretch slightly. Distributors need not worry too much about leadtimes, however. With ample productive capacity available in the economy, any rise in leadtimes will be short lived. Expect a quick reaction by most materials sectors to keep leadtimes in their current range during 1992, before sliding somewhat in 1993.


ASMMA New Orders Index
(1987=100)

Data source: ASMMA
Forecast source: Cahners Economics

The combination of slack demand and excess manufacturing capacity not only tamed leadtimes during the last six months, but dragged down producer price inflation. The biggest price slides in the first half of the year came in the crude materials basket, of which crude fuel is nearly 24%. The outlook calls for crude materials producer prices to slip 5.1% this year, followed by a mere 0.9% rise in 1992.

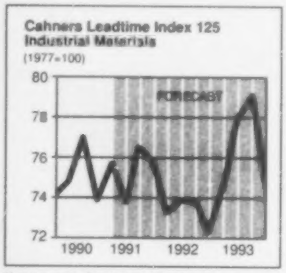

I.D.A. Index National
(1977=100)

Data source: I.D.A.
Forecast source: Cahners Economics

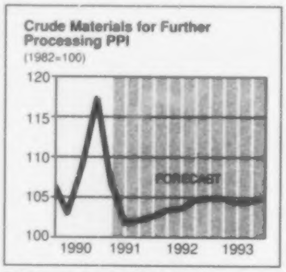
Price cuts worked their way downstream in manufacturing, as well, with producer prices on intermediate materials and components sliding steadily since November, 1990. Expect inflation in this category to rise slightly after mid-year, but total an anemic 0.5% for all of 1991. Increased manufacturing activity will boost the index 1.1% in 1992.

As a result of weak material prices, producer prices for finished goods will rise just 2.6% this year; mild in comparison to 1990's 5% jump. In fact, don't expect producer price inflation to threaten the coming rebound. The outlook calls for a cautious, mild expansion. Finished goods inflation will hit 3.8% in 1992, and just 2.6% in 1993 as the rebound ends.

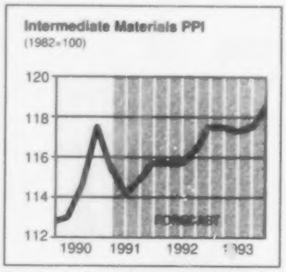
Cahners Economics' *Top U.S. Construction Market for 1992* is now available for $75. This 30-page report covers 7 types of construction in each of the top 50 metro markets. Call Dan Buchan at (617) 630-2105.


Cahners Leadtime Index 125 Industrial Materials
(1977=100)

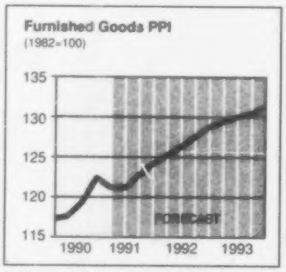
Data source: *Purchasing*/Cahners Economics
Forecast source: Cahners Economics


Crude Materials for Further Processing PPI
(1982=100)

Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics


Intermediate Materials PPI
(1982=100)

Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics


Furnished Goods PPI
(1982=100)

Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	May 1991	Apr. 1991	May '91 vs May '90 % change	May 1991 days	May-Apr. 1991 % change
TOTAL	223.4	208.5	+13.9	39.6	−1.5
EAST	201.7	209.2	+15.1	41.3	−0.7
SOUTH	360.5	337.3	+35.6	36.2	−2.5
CENTRAL	166.3	154.8	+0.4	42.7	−1.6
WEST	214.0	204.6	+2.6	36.6	−0.5

SOURCE: Industrial Distribution Assn.

C1850-4A

SEPT. 15/ 91

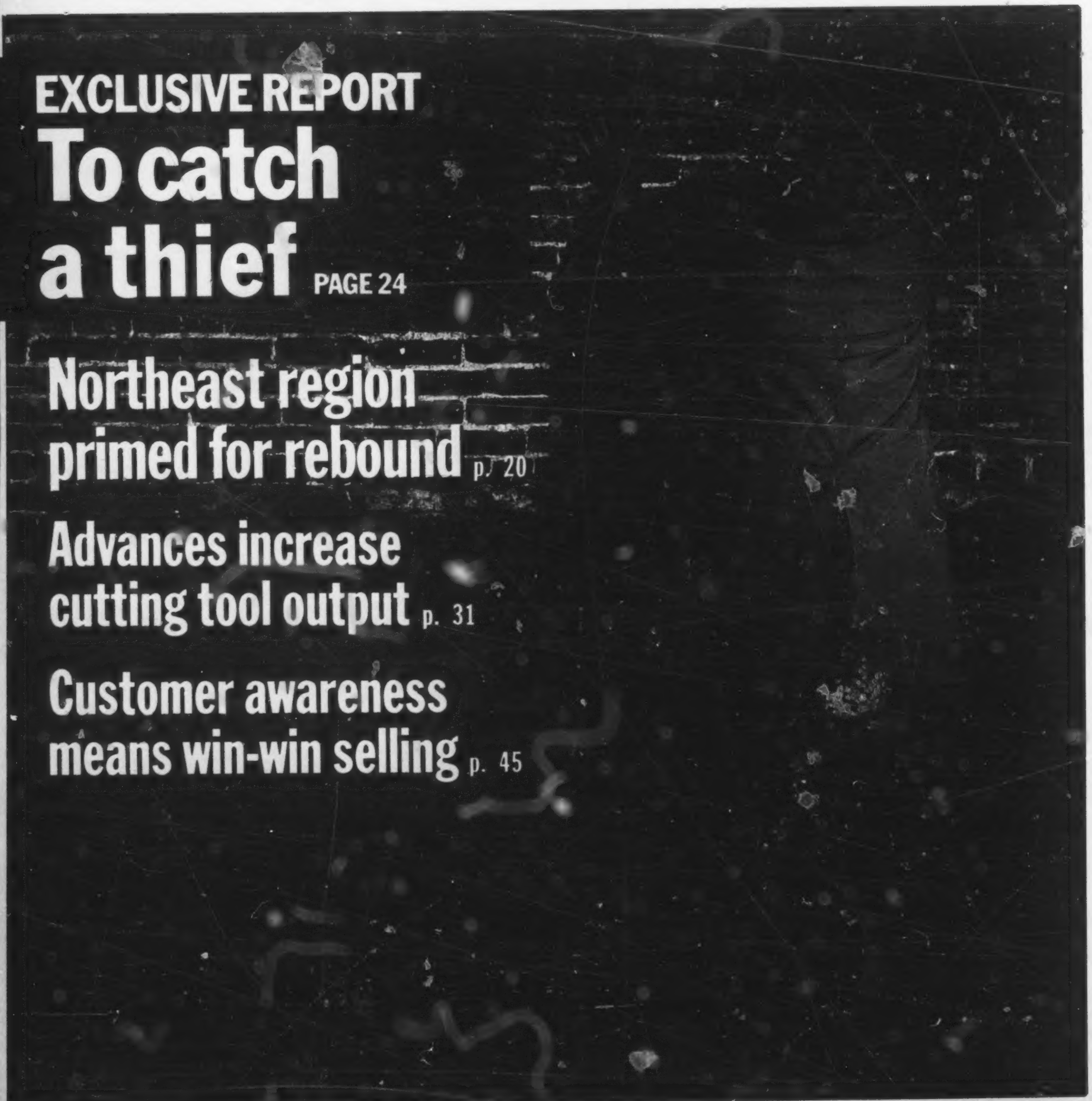
A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

EDI IN ACTION

Parrish Keith Simmons triples business p. 37



EXCLUSIVE REPORT

To catch a thief PAGE 24

Northeast region primed for rebound p. 20

Advances increase cutting tool output p. 31

Customer awareness means win-win selling p. 45

SEPT.
15/91
A CAHNERS PUBLICATION
Vol 80, No. 12

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

FEATURES

20 From boom to bust & back again
As the Northeast suffers from the crippling recession, the area's distributors survive and continue to grow.

24 To catch a thief
A distributor is forced to play detective when product disappears. The trail leads to an employee with a drug addiction and $125,000 loss of merchandise.

31 New cutters take a bite out of tooling costs
Distributors must make end users more productive. Here's an update on how suppliers are helping them better service their customers.

37 How to survive and thrive with EDI
Does technology frighten you? Nashville's W. Scott Parrish shows how easy and cost effective it is to implement electronic data interchange.

MANAGEMENT

11 Editorial
Drugs in the workplace.

41 Pacesetters
Terry Cole, Magna Industrial Tools

67 Business Report
Capacity utilization rates start climbing.

68 Clifton's View
A new group pushes for change in American manufacturing.

SALES & MISC.

45 Strictly for Sales
Strategic selling takes more than simply pushing products.

62 Business Staff
60 Classified Marketplace
63 Distribution Mart

DISTRIBUTOR'S UPDATE

5 At Press Time
NFDA awards scholarships; Invetech buys Southern Bearing Service; Transply honored; Noland acquires Perry branches.

13 News
Dramatic changes ahead for safety equipment distributors; Carborundum honors distributors; Quality tops purchasing's list; Distributorships popular with investors.

PROFITABLE IDEAS

47 Computers
A look at remote control software.

49 Products for Profit
New products you can sell.

Bill Wallick and Ken Jacobs team up to make a university more energy efficient.—p. 20

A distributor finds out an employee is a thief who steals to support his drug habit.—p. 24

Scott Parrish tells how he increased sales with EDI—p. 37

Industrial Distribution®, (ISSN 0019-8153, GST Reg. #123397457) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Executive Vice President; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. INDUSTRIAL DISTRIBUTION® is a registered trademark of Reed Properties Inc., used under license. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.**

INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA.

Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $64.95 per year; Mexico, $99.95 per year; Canada, $106.95 per year; all other countries, $109.95 per year for surface mail, $229.95 per year for air mail. Subscriptions include all issues. Except for special issues where price changes are indicated, single copies are available for $15. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800. **REPRINTS:** For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 635-8800.

Cowan said. "They don't want to make it more expedient for a businessman to hire a lawyer than to comply with the law."

While Cowan was referring to the legislative climate overall, he also addressed efforts by Congress to reform existing OSHA laws. One of the changes being discussed is to create a separate agency inside of OSHA for construction.

But there's more. Proposed legislation to increase criminal indictments for workplace offenders nearly passed last session, and both OSHA and the EPA are under pressure to refer more cases for criminal prosecution. State governments are getting tough too. Under California's *Corporate Criminal Liability Act*, a businessman can be imprisoned for merely "knowingly allowing harmful situations to exist."

How does all this impact distributors? Cowan said there's good news and bad news. The good news is that with all the emphasis on safety, distributors should find end users receptive to expanded safety programs. But on the downside, the industry must still contend with zealous regulators who would all but ban the use of safety equipment, emphasizing engineering controls instead.

"The bottom line is that you need to keep abreast of what is happening," Cowan said. "The increased pace of legislative activity will impact you and the safety equipment needs of your customers. ID

Broker says distributors are hot

WALNUT CREEK, CALIF.—Ernest DiMaria, Jr., president of Acquisition Management & Brokerage, says that small businesses like distributorships are popular with investors. Why? Because they are perceived as solid businesses with strong market positions and sound organizations.

According to DiMaria, despite the downturn in the economy, sales are always going on in the mid-market (see box). He reports that both 1990 and 1991 have been solid years for his company, a firm which specializes in sales and mergers of companies with values ranging from $1 to $30 million.

DiMaria says that he has arranged the sale of more than 100 companies, many of them distributorships. Most of his customers are located in Northern California, although his buyers come from all over the U.S. and overseas too.

Successful distributorships are sold for three reasons, says DiMaria. First, a distributor will sell when he retires and has no heir. Second, he'll sell when he has a disagreement with his partner. Third, when the original owner who made the business a success decides to either do something different or put the equity in more than one asset, he typically opts to sell.

What about industrial distributorships that become available because they are losing money? Notes DiMaria, "It's the wrong time to try to sell. You can't hide the fact that it's a distress sale. Potential buyers see it right away. Instead, shore up the business and wait it out until times are better."

DiMaria describes buyers as either economic or strategic. "Economic buyers look for an investment to make some money, then they get out." he says. "Strategic buyers are looking for something specific. It could be a product that broadens their line, or a particular location where they can sell their products. For strategic buyers, return on investment is a main factor." ID

THE SMALLER DEALS TAKE THE LEAD

(M&A activity by price and deal type)

Value ($ mil)	Divestitures 1989	Divestitures 1990	Acquisitions 1989	Acquisitions 1990	Total 1989	Total 1990
$1.0-5.0	68	91	124	144	192	235
$5.1-10.0	53	57	72	95	125	152
$10.1-15.0	48	40	44	57	92	97
$15.1-25.0	58	45	69	70	127	115

Source: M&A Data Base ADP/MLR Publishing

Sales of mid-sized companies have increased in the past two years.

PA's say quality's #1

NEW YORK CITY—Purchasing agents value product quality above all else when buying goods or services from their suppliers and distributors, according to a recent survey of 379 purchasing professionals.

The survey, conducted in June by *Thomas Register*, also points to reliability, service, delivery time, and availability as the other key factors that sway purchasing's decisions.

Pat Daloisio, *Thomas Register's* Associate Publisher, noted that the top five attributes cited by purchasing agents broke down as follows:

- Product quality (83%)
- Reliability (73%)
- Service (70%)
- Delivery Time (58%)
- Availability (51%)

Notes Daloisio, "Manufacturers are no longer checking for quality at the end of the line, but every step of the way. And purchasing agents are the front end of the equation. They set and maintain quality standards for products used throughout the manufacturing process."

According to Daloisio, *Thomas Register* plans to conduct periodic surveys of purchasing agents on an open-ended basis throughout the year. The data is based on responses from a random sampling of the company's subscriber list.

Some of the other findings of the initial survey are of keen interest to distributors. For example, purchasing agents say they will spend 12% of their 1991 purchasing budgets on new technology. In addition, 10% of the PA's said their company will purchase a wide range of environmental products and services, including waste-to-engery disposal, spill cleanup and asbestos removal services.

Purchasing agents were also upbeat on economic prospects for the second half of 1991. According to the survey, 70% said the economy will turn around in less than a year.

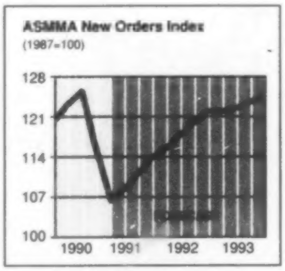
"Corporate executives, consultants and analysts often color their prediction with hopeful expectations," Daloisio said. "But purchasing agents are more likely to focus on the immediate needs and concerns of a business. If purchasing is on the rise, it's a good bet that the business climate is improving."

For more information, or a summary of the survey's results, call (800) 222-7900. ID

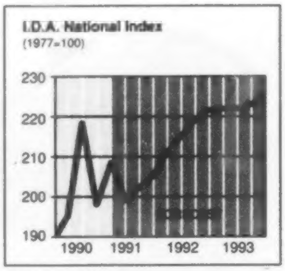
By Paul Waters

Capacity utilization rates inch up

Advanced and primary processing rebound into '93.



Data source: ASMMA
Forecast source: Cahners Economics



Data source: I.D.A.
Forecast source: Cahners Economics

Capacity utilization has finally shown signs of stabilizing recently. From October 1990 to March 1991, the average operating rate in manufacturing slid from 82.2% to 77.2%. American industry was clearly trimming production schedules to cope with plummeting demand. Since March, however, manufacturing capacity utilization has consistently increased.

Capacity utilization is forecasted to continue with steady increases through 1992. The rebound will be far from stellar, though, so manufacturing capacity utilization will not attain rates seen during the last expansion. The high is expected to be near 82% at the end of 1993, as opposed to a peak of 85.1% in January 1989. Operating rates will average 78.3% this year, followed by an 80.8% average in 1992. Expect rates to hover near 81.5% in 1993.

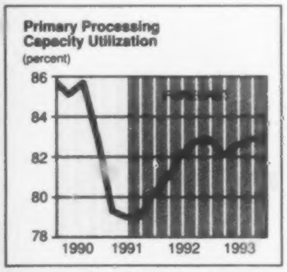
Advanced processing industries, such as transportation, machinery, and other durable goods, will see operating rates average about 77.5% this year on the strength of a year-end rebound. These rates are above average for recessionary periods, suggesting that the rebound will create solid gains in capital spending. Next year will see rates around 80%, while in 1993 nearly 81% of productive capacity will be used.

For primary processing, which includes materials such as steel and plastic, operating rates will average about 79% this year and 82.2% in 1992. Expect them to creep up to 83% in 1993.

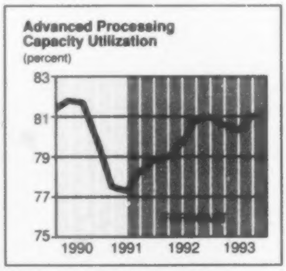
Not surprisingly, production levels also have been indicating that the recession ended early in the third quarter. Capital goods production, for example, usually follows the process industries by several months in the cycle, but not this time. With output bouncing up 0.9% in April, 0.5% in May, and 0.8% in June, the OEM industries are growing as fast as non-durables.

A strong demand for America's goods overseas boosts durables. Europe continues to enjoy a capital spending boom, stimulating U.S. exports. The materials industries are also benefiting from strong foreign demand, especially plastics and paper.

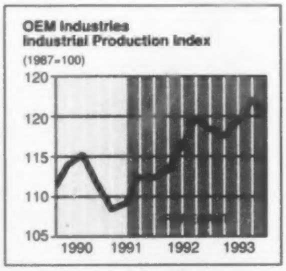
The outlook is bright for industrial production. The OEM expansion will continue for two years, with output growing 5.8% in 1992 and over 2% in 1993.



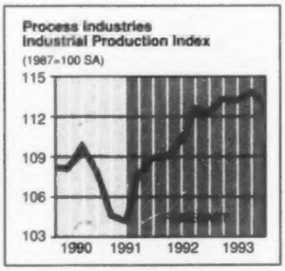
Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	June 1991	May 1991	June '91 vs June '90 % change	June 1991 days	June-May 1991 % change
TOTAL	190.8	216.8	−4.6	55.3	−0.6
EAST	184	201.8	5.3	49.5	−0.5
SOUTH	316.4	358.7	11.2	71.3	0.6
CENTRAL	148.8	158.8	−10.3	46.1	−1.1
WEST	198.4	214.8	−7.1	38.5	−0.4

SOURCE: Industrial Distribution Assn.

By Robert G. Clifton

U.S. manufacturing needs change now!

A new organization pushes for a new era in American manufacturing.

Let's face it. U.S. manufacturing—distribution's prime customer—has declined in the past ten years. Unlike our competitors abroad, Americans have been slow to invest in new plants and equipment, and even slower to adopt advanced manufacturing technology. (See box)

As a result, U.S. manufacturers have lost market share in a number of industries. Our economy continues to be burdened by a large—only slightly shrinking—trade deficit. In addition, the U.S. growth rate in output-per-man hour has dropped.

Many private organizations are attacking pieces of the problem, but little has been done to coordinate efforts. Now, a new broadly based organization has sprung upon the scene. The National Coalition for Advanced Manufacturing (NACFAM) is dedicated to treating the whole issue. Chairman of NACFAM's Board of Advisers is Dr. D. Bruce Merrifield, former Assistant Secretary of Commerce and father of well known industry speaker and consultant Bruce Merrifield.

NACFAM intends to push for a variety of government actions. But the organization is aware of bureaucratic control dangers. According to a spokesperson, "The NACFAM program for federal help emphasizes avoiding government controls in any form." To accomplish that goal NACFAM's strategy is to address the nation's infrastructure as a whole. Specifically, says NACFAM, "Government policy should not substitute corporate competitiveness." Further, the organization acknowledges that competition in the private sector is primarily the responsibility of individual companies.

Several associations have joined NACFAM as supporters. Those with close ties to distribution include the National Assn. of Purchasing Managers, the American Welding Society, the National Assn. of Electrical Manufacturers, and the National Tooling and Machining Assn.

Texas A&M, which is important to our industry, is a member. Many individual companies also have joined. Companies with less than 100 employees pay $500 for annual dues. Membership privileges include access to NACFAM's research results and admittance to the educational meetings. You can learn more about NACFAM by purchasing a copy of their white paper "Industrial Modernization: An American Imperative." Phone your request to (202) 347-0090. The report costs $8.00.

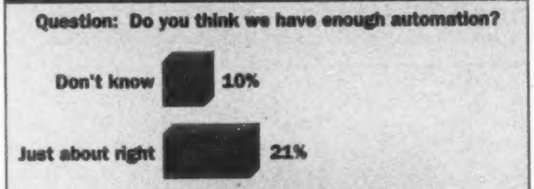
NACFAM's report outlines the organization's basic strategies. A partial list of their recommendations follows:

- Create a national commission to review the progress of technological upgrades in the U.S.
- Accelerate plant refurbishing by applying available federal R&D funds.
- Develop and raise the skill level of the work force.
- Provide tax credit incentives for costs of modernizing plants and equipment.

Most technology is useful for distributors as well as manufacturers. NACFAM has targeted various computerized advances for special attention, such as bar coding for both the shop floor and shipping and receiving.

Most importantly, action in the form of improved manufacturing efficiency is needed now. We can't expect the government to do it for us, although government can help when intelligently advised by the private sector. NACFAM's summary statement says it well: "America has the means to restore its global preeminence in manufacturing. If we fail to marshal our resources for greater industrial modernization and productivity, the erosion of our economic strength and standard of living will be irreversible."

A survey of American manufacturers



Source: Grant Thornton Survey of American Manufacturers, Automation & Technology, June 1990

C1850-4A

OCT.
1991

A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

DON'T MISS IT
Small distributor survey

Distributors polish Saturn's MRO program PAGE 20

Atlantic-Tracy wins with in-house quality p. 39

ID EXCLUSIVE:

Family business p. 27

OCT.
1991

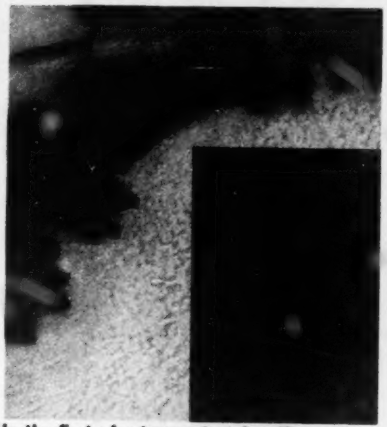
A CAHNERS PUBLICATIO

Vol 90, No.13

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

Industrial distributors keep Saturn shining in Spring Hill, Tenn.—p. 20



In the first of a two part series, ID examines family business issues.—p. 27

Atlantic-Tracy's Bob Westwater shows how to improve quality with in-house help.—p. 39

FEATURES

20 Saturn rings in a new era
In this exclusive report, ID takes you behind the scenes at GM's Saturn plant where unique distributor/purchasing relationships have been formed.

27 Enduring generations of change
What are the key issues affecting family-owned distributorships? ID editors traveled the country to find out. Here is what they learned.

39 Atlantic Tracy image reflects quality
Atlantic-Tracy's become an "error-free zone" without hiring an expensive consultant.

45 Sculpture honors team efforts
This year, and for the fourth time, Engman-Taylor has earned an original sculpture emblematic of excellence in marketing Carborundum Abrasives.

MANAGEMENT

9 Editorial
Focus on "internal customers."

49 Pacesetters
Roland S. Boreham, Jr., Baldor Electric Co.

73 Business Report
Process industries continue production cutbacks.

74 Clifton's View
Charge for value-added services.

PROFITABLE IDEAS

57 Computers
Prophet 21 continues to be innovative.

59 Products for Profit
New products you can sell.

69 Sales Aids
The latest catalogs and brochures.

DISTRIBUTOR'S UPDATE

5 At Press Time
New bar coding group formed; INVETECH firms win awards; PTDA introduces "visioning" project.

11 News
Court ruling to affect inside salespeople; Norton launches marketing program.

51 Association News

52 Calendar

SALES & MISC.

55 Strictly for Sales
How to classify your accounts.

70 Classified Marketplace

72 Business Staff

NEXT MONTH: Part Two of our family business report examines problems of succession.

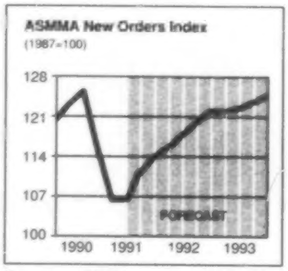
Industrial Distribution®, (ISSN 0019-8153, GST Reg. #123397457) is published monthly with extra issues in January, May, September and November by The Cahners Publishing Co. Cahners is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank Sibley, Executive Vice President; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. INDUSTRIAL DISTRIBUTION® is a registered trademark of Reed Properties Inc., used under license. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. **POSTMASTER: Send address corrections to INDUSTRIAL DISTRIBUTION®, PO Box 173377, Denver, CO 80217-3377.** INDUSTRIAL DISTRIBUTION® copyright 1991 by Reed Publishing USA. Ronald G. Segal, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $64.95 per year; Mexico, $99.95 per year; Canada, $106.95 per year; all other countries, $109.95 per year for surface mail, $229.95 per year for air mail. Subscriptions include all issues. Except for special issues where price changes are indicated, single copies are available for $15. Please address all subscription mail to Carla Keller, 44 Cook Street, Denver, CO 80206-5800. **REPRINTS**: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018, (708) 635-8800.

By Susan E. Farris

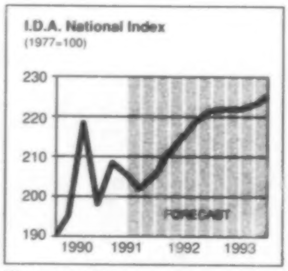
Process industries cut back

But watch for plastics and rubber in 1992.

With demand still diminished in the aftermath of the recession, most process industries are cutting back production for 1991. Process industries as a whole will end the year with production 2.0% lower than in 1990. Only chemicals and petroleum are expected to exceed year-ago production levels by 0.4% and 0.6%, respectively. On the other end of the spectrum: stone, clay and glass materials will experience a 6.4% slump in 1991 compared to 1990, mostly as a result of the collapse of the construction markets during the recession. With weak automobile and appliance markets, expect metals to suffer a 7.0% decrease for 1991. The process industry to watch in 1992: plastic and rubber. The forecast calls for production of plastic and rubber products in 1991 to be 1.6% below 1990 levels. However, with manufacturing already showing signs of recovery, expect plastic and rubber production to rebound the greatest for process industries in 1992 with forecasted growth of 5.5%.



Data source: ASMMA
Forecast source: Cahners Economics

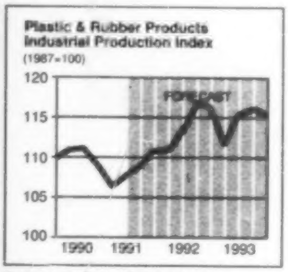


Data source: I.D.A.
Forecast source: Cahners Economics

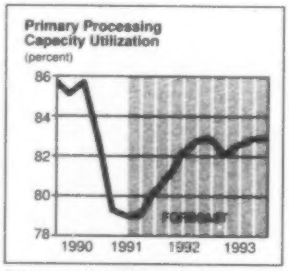
Capacity utilization for primary processing (which includes plastics and rubber) ended the first half of 1991 at 79.8%. Ample capacity will prevent further price surges in these markets and enable manufacturers to cope with increased demand in 1992. Capacity has been moderately but steadily increasing since March, indicating primary processors have already started boosting production levels. By 1992, expect to see capacity utilization reach 82.9% and remain at this level throughout 1993.

With the sluggish pace of the current recovery, the PPI for rubber and plastic products will be stable for the remainder of the year. Prices will rise by just 0.8% in 1991, as there is little supply pressure. The Federal Reserve's policy of containing inflation, coupled with stability in oil prices, should result in only moderate growth in the PPI of rubber and plastic of 2.8% in 1992 and 1.3% in 1993.

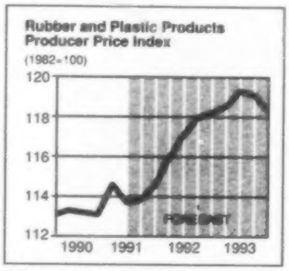
Leadtimes are beginning to increase for the second half of the year in conjunction with processors increasing their capacity utilization. Expect rubber and plastic products leadtimes to reach 3.4 weeks by the end of 1992. The Cahners Leadtime Index will end 1991 at 0.4% below year-ago.



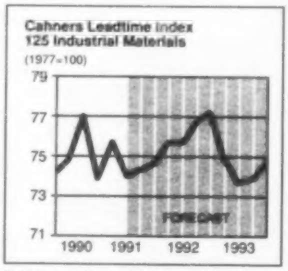
Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics



Data source: *Purchasing*/ Cahners Economics
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	July 1991	June 1991	July '91 vs July '90 change	July 1991 days	June-July 1991 % change
TOTAL	213.9	190.8	+0.5	52.7	−0.2
EAST	181.2	184.0	+1.8	47.4	−1.1
SOUTH	360.3	316.4	+8.9	61.3	+1.7
CENTRAL	152.9	148.8	−7.8	45.1	−0.5
WEST	199.2	198.4	−6.9	39.3	−0.8

SOURCE: Industrial Distribution Assn.